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THESIS

AN EVALUATION OF THE UNITED STATES
COAST GUARD'S ENLISTED DINING
FACILITY ACCOUNTING AND REPORTING SYSTEM

by

Robert A. Jones

September 1980

Thesis Advisor:

R. A. Bobulinski

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In comparing the Coast Guard system to the GAO model, the author concludes that the Coast Guard system best achieves the objective of measuring fiscal compliance. The objectives of reporting the financial viability, assisting in resource allocations, and measuring program activity were only partially achieved. Consequently, assessment of the Coast Guard management's performance and stewardship using the Enlisted Dining Facility reporting system is limited.

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An Evaluation of the United States Coast Guard's
Enlisted Dining Facility Accounting
and Reporting System

by

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Submitted in partial fulfillment of the
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MASTER OF SCIENCE IN MANAGEMENT

from the

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September 1980

ABSTRACT

Proper management of Coast Guard Enlisted Dining Facilities is important to the operation of the Coast Guard Supply Fund and impacts upon the overall compensation of Coast Guard enlisted personnel. A comparison of the Coast Guard Enlisted Dining Facility accounting and reporting system with the General Accounting Office (GAO) objectives and model for Federal accounting and reporting systems is presented.

In comparing the Coast Guard system to the GAO model, the author concludes that the Coast Guard system best achieves the objective of measuring fiscal compliance. The objectives of reporting the financial viability, assisting in resource allocations, and measuring program activity were only partially achieved. Consequently, assessment of the Coast Guard management's performance and stewardship using the Enlisted Dining Facility reporting system is limited.

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I. INTRODUCTION

A. GENERAL INFORMATION

The United States Coast Guard (CG), one of the five uniformed military services, employs about 36,000 uniformed personnel. They are assigned to duties at hundreds of CG units located throughout the world. The types of units range from small ones with less than ten persons to larger stations with several hundred persons attached. Similarly, the CG vessels have complements ranging in size from about 25 to 150. Providing food service facilities is a vital portion of the support necessary for these individuals.

The following statement from the United States Code authorizes the CG to feed its enlisted personnel (non-officers):

Enlisted men of the Coast Guard, civilian officers and civilian crews of vessels, and working parties in the field shall be allowed a ration... . [Ref. 1].

A ration has been defined as enough food for one man for one day [Ref. 2; p. 1]. The Enlisted Dining Facilities (EDF) are the authorized organizational basis for providing the necessary subsistence support. EDF's are established at most shore stations and on most of the CG vessels. At the time of this writing, there are over 500 EDF's in the CG.

B. FUNDING INFORMATION

The CG obtains funds for the EDF's through the Congressional appropriation process. The funds utilized to purchase the EDF inventory are a subset of the CG Supply Fund. This Supply Fund is a revolving fund which, when appropriated by Congress, is maintained by the selling of supplies to other Coast Guard appropriation accounts [Ref. 3; pp. 5-18]. The EDF funds are identified as Stores Account 82.00. The funds revolve in the following manner: As inventory provisions are consumed, they are charged to an Operating Expenses Account 01.00 and the costs are credited to the 82.00 Stores Account. The following quote from a CG budget manual discusses the importance of good management by the CG EDF personnel:

Proper management of EDF provision inventories is important to both the operation of the Supply Fund and the control of Operation Guide 01.00....retention in inventories of excessive quantities of slow moving items will radically reduce the availability of working funds with which to purchase other, fast turn-over provisions....mismanagement in the form of waste/spoilage of uneconomical purchases will create excessive charges against Operating Guide 01.00, thus reducing the availability of funds to support other important personnel requirements. [Ref. 3; pp. 6-19].

C. THE NEED FOR A STUDY OF CG EDF'S

The proper management control and organizational performance by EDF personnel has significant impact in other areas. The messing privilege is one portion of the overall compensation of many CG enlisted personnel. Problems with

EDF's and the serious consequences that can occur as a result of an error in judgment or mismanagement of an EDF have been pointed out in various studies of military food service programs [Ref. 4]. The Commandant of the CG has identified the area of subsistence as one of several areas for future research [Ref. 5].

Very little published information exists concerning the CG EDF OPERATIONS. A literature search concerning military food service operations reveals a noticeable absence of information concerning the CG EDF system as compared to the number of reports and studies about the other services' EDF systems. In response to the interest of CG Headquarters and in the absence of previous research, this thesis offers a beginning analysis of the CG EDF system. The thesis research focuses on the system as described in the CG Comptroller Manual (COMPTMAN). The EDF system records and reports requirements of the COMPTMAN are analyzed in the light of a recently published accounting and reporting framework for Federal agencies.

D. OBJECTIVE AND SCOPE OF THE THESIS

The objective of this thesis is to review the EDF accounting and reporting system. The EDF accounting and reporting system is the main mechanism for communicating the results of the EDF managers' efforts to higher authority in the CG. The ability to assess management performance or

make other conclusions and decisions about the EDF system depends on the adequacy of the reporting system. This thesis discusses this adequacy and, in doing so, lays a foundation for further studies of the CG EDF system.

The scope of the thesis consists of a description of the EDF accounting and reporting system and an appraisal of how it fits within the General Accounting Office (GAO) conceptual framework for Federal systems. This thesis discusses the main emphasis contained in a recent GAO publication on accounting systems, outlines the CG EDF reporting system, and then presents conclusions regarding how the GAO concepts apply to and what effects they have on the EDF reporting system. The intention of the writer is to contribute to the body of knowledge regarding the CG EDF system in the light of the newly promulgated GAO conceptual framework. The GAO establishes principles and guides the formulation of Federal accounting standards. A recent GAO publication entitled Objectives of Accounting and Financial Reporting in the Federal Government is used as a statement of current Federal accounting standards. The publication reflects the recent thoughts and concerns of the GAO to broaden the scope of financial information reporting.

E. METHOD OF RESEARCH

A review of the literature that is available from the following data bases was completed:

1. Defense Logistics Studies Information Exchange, U.S. Army Logistics Management Center, Fort Lee, Virginia.
2. Defense Technical Information Center and Defense Documentation Center, Defense Logistics Agency, Cameron Station, Alexandria, Virginia.
3. The Naval Postgraduate School Thesis and Technical Reports Collections, Monterey, California.
4. DIALOG Information Retrieval Service, Lockheed Missile and Space Co., Inc., Palo Alto, California.

As stated earlier, the literature search revealed that, in over two hundred studies of military food service operations that have been made, none discuss the CG EDF system. The information describing the existing EDF financial and accounting reporting system is contained predominantly in the CG COMPTMAN [Ref. 6]. Additional technical literature and amplifying instructions from other CG units as well as the CG District Office and Training Center in the San Francisco area were useful source materials. Interviews with CG personnel involved in the EDF reporting process were conducted to gain further insight.

F. THESIS ORGANIZATION

In Chapter II, the GAO conceptual framework and objectives of a Federal accounting and financial reporting system is presented. The salient characteristics, objectives and major emphases of the GAO model are provided against which to make a comparison with the CG EDF reporting system.

Descriptive information of the CG accounting and financial reporting for the EDF's is presented in Chapter III. The CG Comptroller Manual is the major source of this information. Information from other CG technical literature is provided to assist the reader in interpreting the Comptroller Manual information.

Chapter IV is a case study of an existing CG EDF. The local procedures such as the delegation of responsibilities, reporting variations and local methods of control are discussed in light of the Comptroller Manual prescribed methods.

Chapter V concludes the thesis with a comparison of the CG EDF system with the GAO Model. Conclusions and recommendations based on the study are included along with the comparison.

II. THE GENERAL ACCOUNTING OFFICE MODEL

A. INTRODUCTION

The Congress has given GAO the responsibility for setting the accounting principles that Federal agencies shall follow and we intend to set principles that will serve the Congress, Federal managers, and citizens as effectively as possible. [Ref. 7; pp. 7-8].

This pronouncement by the Comptroller General of the United States, who is the head of GAO, refers to the basic legal authority provided to GAO concerning its role in Federal accounting. The Accounting and Auditing Act of 1950 makes GAO responsible for establishing the accounting standards that Federal agencies are to follow. In 1952, GAO established their first standards and has made periodic revisions since that time. A recent effort by GAO has been the development of a conceptual framework for the Federal Government's accounting and financial reporting systems. This chapter paraphrases the salient issues from the recent development efforts.

In February 1980, GAO issued an exposure draft entitled Objectives of Accounting and Financial Reporting in the Federal Government. This document contains a statement that the goal is to develop a conceptual framework under which consistent Federal accounting requirements can be maintained. These requirements include both accounting standards and operational requirements. The standards "are essentially rules for recognizing and reporting economic transactions

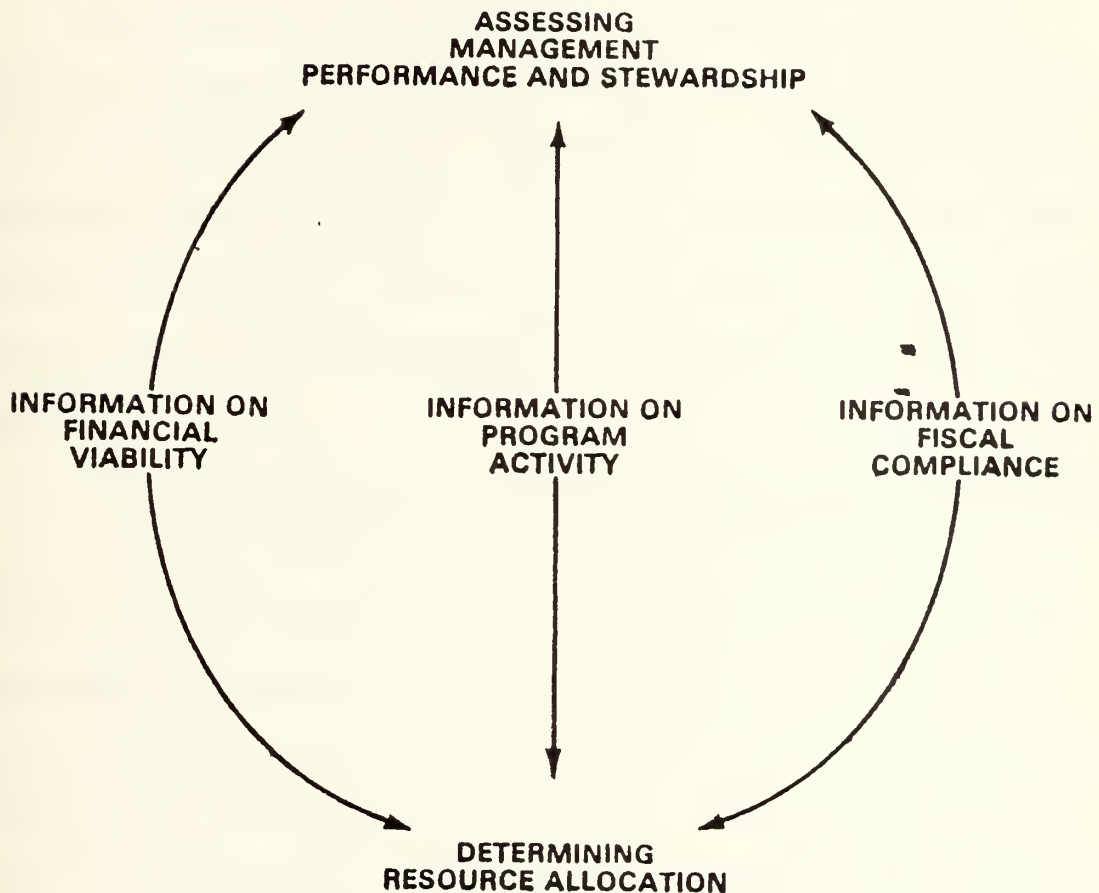
and events." The operational criteria "include the procedural or system aspects that essentially facilitate application of the standards" [Ref. 8; pp. 6-7]. The document does not specify accounting standards, procedural requirements, or reporting practices but provides the conceptual framework of Federal accounting. The remainder of this chapter discusses the salient issues, objectives and emphasis contained in the GAO document. The document will serve as a model with which to make comparisons in later chapters. Exhibit 1 indicates how the GAO objectives discussed below are interrelated.

B. GOVERNMENT ACCOUNTING AND FINANCIAL REPORTING OBJECTIVES

1. Provide Information about Management Performance and Stewardship

The primary objective of accounting and financial reporting in the Federal Government is to provide useful information for assessing management's performance and stewardship. Assessing stewardship and performance basically involves determining what an entity has achieved in the past and what it can achieve in the future. The measurement of past achievements considers historical data. Information on past performance is also useful in drawing conclusions about the future. For instance, if the achievements compare favorably with the initial plans and forecasts, future plans will likely be accomplished also. In order to facilitate

EXHIBIT 1.
FEDERAL GOVERNMENT
ACCOUNTING AND FINANCIAL REPORTING
CYCLE OF INFORMATION NEEDS



SOURCE: GAO, Objectives of Accounting and Financial Reporting in the Federal Government.

such comparisons, the information from the accounting system should describe the economic resources [Ref. 8; pp. 22-23]. Economic resources as defined in a basic economics text are "scarce resources" as compared to free resources obtained without charge [Ref. 9; p. 10]. Financial information on economic resources is provided to the users to assess the financial viability, program activity, and fiscal compliance within an entity.

Information which indicates how efficiently and effectively management operates helps users of the information assess stewardship and performance. The efficiency information indicates how economically management used the resources entrusted to it. The effectiveness information indicates how well management did in achieving program objectives.

2. Provide Information for Assessing Financial Viability

A second objective of accounting and financial reporting in the Federal Government is to provide information useful in assessing financial viability. Financial viability refers to the ability of an entity to provide the same level of resources that it either has provided in the past or has indicated it expects to provide in the future. For users to obtain these indications, financial reports should describe economic resources which reflect an entity's current position, past performance, and future expectations and should show resources available to management, obligations

in terms of resources, changes in resources and obligations, resource flows, and liquidity. Obligations may be defined as legal reservations of funds. In government accounting the agencies obligate funds within the limit of the amount appropriated. Liquidity refers to the average period of time required to convert a non-cash resource to cash. Federal accounting systems should report information so that such assessments may be made.

Resource data showing past performance delineates total resources available, total resources applied or disbursed, and obligations incurred, settled, and existing at a specified time. However, to help enable users to assess whether program objectives have been or are being achieved and whether resources entrusted to management have been used efficiently and economically, additional information about resources should be reported. Such information includes programs administered by management, as well as plans and objectives covering the same periods. Comparisons in terms of resources and obligations per program between actual and initially planned provides indications on how well resources are managed.

Resource data showing current position indicates resources available, obligations existing, and liquidity levels at particular times. This information helps users determine whether obligations due in the current and succeeding months can be settled with resources currently

available or whether additional obligations may have to be incurred to settle existing obligations. On the basis of past trends, data showing current position may also help users determine future resource needs.

Although information about the past performance and the current position of an entity is important in formulating future expectations, additional information provides users further indications on the entity's ability to continue to provide resources in the future. Such information helps establish the quality and quantity of goods and services to be provided in the future, along with the resources needed to provide them and the obligations expected to be incurred and settled. Information in this category includes long- and short-range objectives, program plans, and forecasted data. Knowledge of an entity's plans for operations enables users to make judgments on the ability of the entity to provide future goods and services and on the resources it needs to carry out its plans.

Financial information about viability can be provided through various means: by financial statements, other financial data, non-financial quantified and qualitative data. The statements should show resources obtained and given up by management and total contingencies. Information can be grouped into categories such as plant property and equipment; investment in Federal Government securities; appropriations authority; and per capita dollar amounts of resources

provided. The qualitative information may provide useful explanations of the quantified data from the entity's point of view.

3. Provide Information for Assessing Program Activity

A third objective is to provide information useful in assessing program activity. Program activity refers to compiling data by program or any subcomponent of a program with the purpose of indicating program output or program thruput. A program in the context presented in the GAO document refers to the process of achieving or attempting to achieve a desired end result.

"Program activity" information must bear on the use of resources as inputs and the production of resources as outputs under various programs and projects. For report users to obtain these indications, financial reports must show inputs in terms of cost of resources, outputs in terms of resources distributed, and planned program activity, both past and future, in terms of inputs and outputs. "Cost of resources" refers to the goods and services consumed in accomplishing a specific purpose. "Resources distributed" refers to the goods and services provided to the public or other consumers. "Planned program activity" refers to the anticipated distribution of resources based on anticipated levels of costs.

Past performance data concerning program costs, program production, and past program plans allows comparisons to be

made between various activities within a program or between programs. Further, the comparison between the initial plans in terms of inputs and outputs can be compared with actual costs and actual goods and services provided, and allow identification of program objectives still to be achieved.

Similar to the information regarding viability, the data on activity may come from financial statements, other financial and non-financial data both quantitative and qualitative. Examples of quantitative information may include numbers of beneficiaries of a program activity or numbers of resources consumed during the activity. Nonquantified data can include narratives describing programs and program objectives [Ref. 8; pp. 27-30].

4. Provide Information to Assess Fiscal Compliance

A fourth and more traditional objective of financial reporting in the Federal Government is to provide information useful in assessing fiscal compliance.

Financial reports should include indications of the entity's compliance with laws and regulations. Although information on financial viability and program activities provides an indication of accountability, information on fiscal compliance provides more objective evidence of management's accountability.

Fiscal compliance is assessed differently in the Federal Government than in the private sector. The private sector managers are assessed as to their compliance with

the stated goals and objectives usually determined by a board of directors or the owners. Then the private sector managers' compliance may be measured against these policies. Net income, earnings per share of stock, and accumulated wealth are some of the common measureable indicators of their compliance. Because this built-in control does not exist in the Federal Government, legal and regulatory limitations on economic activities are usually imposed on departments and agencies. Such limitations include ceilings on spending and restrictions on the use of resources. Compliance is then measured against these specific purposes and dollar amounts using spending data reported by program or subprogram units.

Financial statements show operations by Congressionally determined categories and the related authorization amounts, commitments, and obligations incurred. Other financial and nonfinancial quantified data can show dollar amounts and other numeric amounts in detailed formats not appropriate for statements. Examples include details of authorizations and uses of personnel, building space, or travel and transportation. Qualitative data, such as narratives on existing internal controls which help insure compliance, also may be included [Ref. 8; pp. 30-32].

5. Provide Information which Enables Resource Allocation Decisions

A fifth and final objective of accounting and financial reporting in the Federal Government is to provide

information useful in assisting resource allocation decision making. Resource allocation decisions basically involve choosing among alternatives for assigning resources relating to budgeting, operations, and investing in government securities by creditors. However, in order for information to be useful in the resource allocation decision process, it must provide indications on financial viability and program activity; this information must be presented in terms of past performance, present conditions, and future expectations.

The use of financial information in resource allocation is different depending on where the user is in the organization hierarchy. Agency management involved in budget preparation and execution and oversight bodies involved in budget authorization and execution are primarily concerned in the allocation of resources between programs, components of programs, agencies, and units within agencies. Those involved in budget preparation and authorization will find useful the information concerning program activity, both past and planned. The persons who are interested in the execution of the budget are interested in the information concerning management effectiveness in the area of fiscal compliance. Further, agency management involved in the daily operations are concerned about the allocation of available resources among alternatives for accomplishing program objectives [Ref. 8; pp. 32-34].

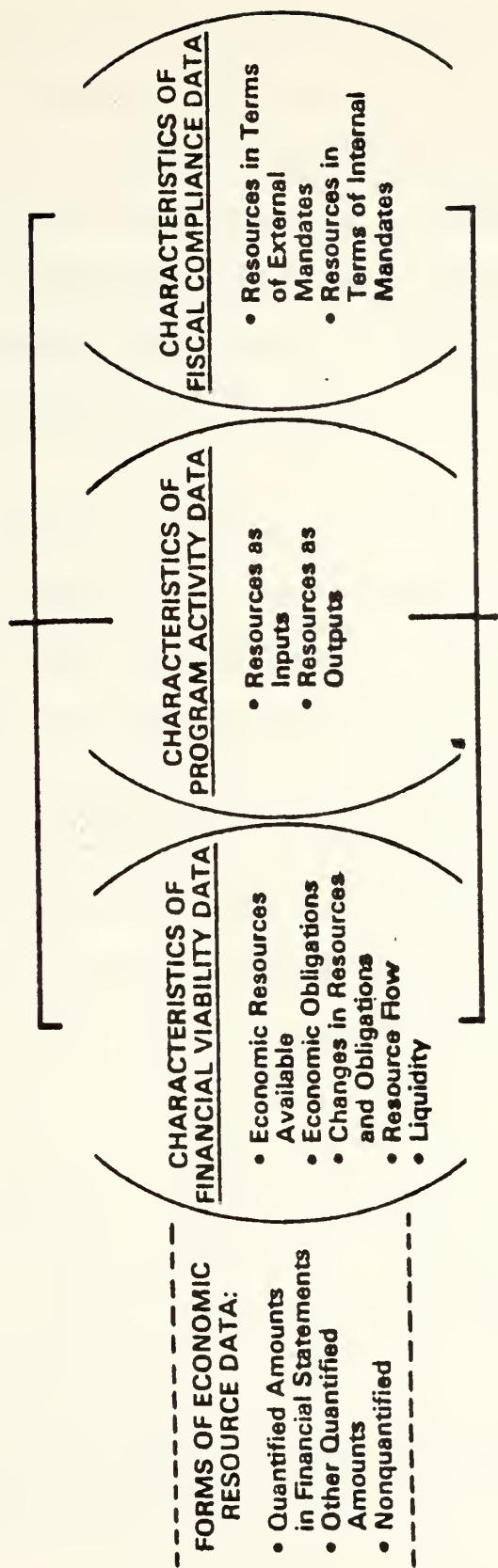
6. General Comments about Financial Reporting

The GAO statement of objectives assumes the reporting of useful financial information. Financial information has traditionally been compiled and presented in financial statements; however, some financial information can be better presented by other means or can be presented only by other means. Financial statements are, for the most part, compiled from data contained in the formal accounting records and accounting system; however, financial reports can and should contain information obtained from other sources. This information can be qualitative as well as quantitative and can include program results data, such as number and types of citizens benefiting from certain programs; management's expectations, forecasts, and plans; and how the operations of a specific Federal agency may affect individual members of society. (See Exhibit 2.)

Financial information is but one source of the total information used by those making decisions about the Federal Government. Financial information obviously cannot satisfy all needs of all users. For example, financial information provides evidence of compliance with laws and regulations and provides indications that resources were efficiently used, but it does not provide conclusive evidence of total compliance or overwhelming evidence of efficient operations. However, financial information in reports of an entity are often

EXHIBIT 2.
FEDERAL GOVERNMENT
ACCOUNTING AND FINANCIAL REPORTING
ECONOMIC RESOURCE DATA

NECESSARY TO ASSESS
MANAGEMENT
PERFORMANCE AND STEWARDSHIP



SOURCE: GAO, Objectives of Accounting and Financial Reporting in the Federal Government.

audited by independent accountants and auditors, who render opinions on them to enhance confidence in their reliability. Auditors' reports are often included in an entity's report. Auditors may also review operations of an entity and report on such matters as efficiency and economy, program results, and legal and regulatory compliance. Their opinions and conclusions provide additional evidence of an entity's performance.

Financial reports, as discussed in the GAO report, specifically exclude special-purpose reports, prepared on an as-needed basis, since the information in them is generally compiled as the requirements necessitate. GAO does recognize the fact that there are many ways in which financial information may be reported. Quantitative financial information is often shown in exhibits and schedules. Financial information other than financial statements can also be converged in the form of narratives, graphs, matrixes, or tables.

C. ENVIRONMENTAL CONTEXT OF THE OBJECTIVES

The Federal Government operates in an environment which is similar to that in which profit-making enterprises operate. The salient similarities are:

1. They both are integral parts of the same economic system and use the same resources to produce their goods or provide services.

2. In some cases they both make similar products and provide similar services.
3. Accounting and financial reporting is an integral part of the information used by management and other interested parties in assuring resources are used efficiently and effectively. [Ref. 8; p. 10].

Notwithstanding the similarities, there are obviously basic differences which affect the objectives. The purpose of the Federal Government is to provide goods and services to the public for the safety, welfare, and overall benefit of society. As such, its goal is to provide as much as possible with what is available to it, without increasing its capital or acquiring wealth, without earning profits, and without paying returns or dividends to select interest groups. In this environment, the emphasis is on resource flow, sources and uses of resources, and budgetary position.

Another significant environmental factor affecting the objectives is the remote and indirect relationship between the sources of resources obtained by the Federal Government and the services or goods provided. Although there are many activities in the Federal Government where goods or services are provided to specific individual consumers directly and they are charged at least part of the costs, the vast majority of goods and services are provided without charge to the public as a whole. In most instances, there is no open market in which to establish objective values of the goods and services provided, and society must pay taxes to obtain them.

Perhaps the most important environmental factor affecting the objectives is the way the Federal Government is regulated. In the absence of a free market which, in the private sector, provides a built-in control which necessitates economical operations, the Federal agencies are subject to considerable legal and regulatory controls over organizational structures, personnel policies and procedures, and sources and uses of resources. These environmental factors must be considered in formulating objectives of accounting and financial reporting in the Federal Government. For information to be informative and useful, it must reflect the environmental constraints [Ref. 8; p. 11].

D. LIMITATIONS OF FINANCIAL INFORMATION

The overall objective of accounting and financial reporting is to provide useful financial information to users. However, financial information, and in particular the information in financial statements, is informative and useful only within the limits of accounting. Accounting requires that judgments be made. These judgments are not always unanimously agreed on by all those involved. Knowledge of why and how the judgments are made is necessary to fully understand the financial information which is a product of accounting [Ref. 8; p. 13].

Financial information contains approximate and estimated values. The estimates result from judgments regarding the

use of alternative accounting practices. Even though financial information is precisely stated in financial reports, the use of different accounting alternatives might have generated different results.

The information which appears in Federal financial reports is based on user needs. However, the specific needs of each user taken collectively may require such a vast amount of financial information that the cost of providing it would far exceed the collective benefit. Generally the benefits should be expected to equal the costs of providing them. To establish control over the cost of providing information, the type and amount of information to be provided is based on aggregate user needs. The extent to which the objectives of accounting and financial reporting are achieved is therefore based on the aggregate user needs rather than individual user needs [Ref. 8; pp. 13-14].

An additional limitation is that financial information reflects data only on economic transactions and events. There is also a need for other information. Stated differently in a management test: "An analysis of data rarely, if ever, reveals all the significant facts about performance. It must be supplemented with information and impressions received from other sources. A quantitative analysis may not only be inadequate; it may also be misleading" [Ref. 10; p. 309].

Despite these numerous limitations, information provided by accounting and financial reporting has proven to be necessary in assessing past performance and deciding on future operations. However, the degree to which objective decisions can be made must be subject to these limitations, and understanding these limitations should help users in assessing more fully how their needs can be satisfied through use of financial information [Ref. 8; pp. 15-16].

E. USERS IDENTIFIED

Financial information about the Federal Government, either collectively as a single entity or as individual agencies, may be used by individuals with more diverse backgrounds and varying levels of understanding than financial information provided by any other single entity. According to Elmer B. Staats, Comptroller General of the U.S., the numbers of users has increased recently due to such events as Proposition 13, fraud in the General Services Administration, and the computerization of accounting data [Ref. 7; p. 6]. As a result, GAO's objectives of accounting and financial reporting must be directed toward the needs of as many users as possible [Ref. 8; p. 16].

In identifying users, the Federal entity which is to be the frame of reference must be identified. The entity may include, for example, any one or any combination of the following:

1. The Federal Government as a whole.
2. Programs of the Federal Government.
3. The executive branch.
4. The legislative branch.
5. The judicial branch.
6. Any department, agency, or organizational unit conducting relatively autonomous operations under any one of the above three branches.
7. Any other organizational unit not included above but considered an instrumentality of the Federal Government (such as some Government corporations) [Ref. 8; pp. 16-17].

This list is intended neither to establish definitive entities nor to identify the boundaries separating entities. However, the list is used to demonstrate that users external to an entity can be part of the Federal Government as well as external to that part of the Federal Government which is of interest. Users of financial information are divided into two major types, those external to the reporting entity and those considered internal to it. The internal users have a special fiduciary relationship with the entity generally as either employees (including management) or special agents to the entity. Internal users are also involved in the day-to-day operations, including planning, conducting, and reviewing the organization's activities. The information they seek directly affects daily operations. These users consist principally of management and their advisors [Ref. 8; pp. 17-18].

External users are interested in financial information for purposes other than direct hands-on planning, managing, or conducting daily operations. GAO divides them into five major groups, as follows:

1. The public -- citizens interested in governmental affairs.
2. Investors and creditors -- businesses, banks, investment houses, and other institutional investors/lenders.
3. Professional and other analysts -- political scientists, economists, financial analysts, accountants, lawyers, journalists, researchers, teachers and students.
4. Oversight bodies -- legislators and their advisors, regulatory authorities and reporting agencies, boards of directors, and the President and his advisors.
5. Other interested parties -- labor unions, State and local governments, other nonprofit organizations, and direct program recipients.

These user groups bear no relationship to user needs since each group does not have unique needs that general-purpose reporting must address [Ref. 8; pp. 18-19].

The diverse needs of users within the groups are based in part on their relationship to the reporting entity as well as their understanding of business transactions. The users have varying associations with the reporting entity, as well as varying degrees of expertise and knowledge of accounting and financial reporting. The association of the user with the entity has a direct relationship to the user's authority over the nature and extent of information to be

included in general-purpose financial reports. Internal users have a high degree of authority, as do external users from the Federal oversight agencies. On the other end of the spectrum, the public lacks both the authority and the time and resources necessary to obtain needed information. In addition, users who are well informed of accounting and financial matters can derive an in-depth understanding of financial reports whereas users with limited knowledge can glean only the most basic and simplistic information without the help of others. Despite the wide range of financial knowledge and degree of authority over the reporting entity that users possess, no particular user group has information needs less valid than others. For GAO's statement of objectives no group is considered more important than another, and for the purpose of establishing objectives, all groups are considered equal [Ref. 8; pp. 19-20].

Internal users require greater detail because they actually manage and operate the entities' affairs. For example, both external and internal users need to know the extent of fiscal compliance. External users' needs may be satisfied with financial information at the program level whereas internal users may need information at the most detailed level of each component activity of a program.

As previously indicated, the objective statement applies to general-purpose financial reporting. These reports are

reports on a consistent periodic basis as opposed to special reports which are prepared as the need occurs. External as well as internal user needs can be satisfied by general-purpose reports. Basically the overall needs of each group are the same. The difference, however, occurs in the degree of detail the financial information must contain in order to satisfy the needs of each group.

Although the objectives of accounting and financial reporting for external and internal users are the same, the information in the reports will vary considerably. Financial reports prepared for internal users will differ also in their presentation [Ref. 8; pp. 20-21].

F. QUALITATIVE FACTORS OF INFORMATION IN FINANCIAL REPORTS

To satisfy user needs to the maximum extent possible, certain qualitative factors must be considered in determining the presentation of information in financial reports. The primary objective of accounting and financial reporting is to provide useful information about economic events that helps users make decisions. The preparer of financial reports is always confronted with alternative possible presentations of the nature (type, kind, and content), extent and amount, and format of the information. To maximize the decision usefulness of information, GAO identifies the following factors upon which a choice between alternative presentation may be based:

1. Relevance.
2. Reliability.
3. Meaningfulness.
4. Comparability.
5. Neutrality.
6. Materiality. [Ref. 8; pp. 34-35].

"Relevance" refers to information having a direct bearing on the decisions confronting users. Information is relevant if it directly contributes to conclusions and decisions reached by users or if it changes users' conclusions and judgments. The degree of relevance depends on how pertinent and timely it is [Ref. 8; p. 35].

"Reliability" refers to information which is dependable and which has a high degree of actually representing what it purports to represent. Reliability is based on corroboration. Information that can be corroborated by sources independent of each other is highly reliable. The extent to which information is accurate, complete, and proper determines the degree of reliability [Ref. 8; pp. 35-36].

"Meaningfulness" refers to information that is understandable, clear, concise, and succinct. The usefulness of information increases with increased meaningfulness. However, because of the varying degree of knowledge of accounting and financial reporting possessed by users, their ability to understand financial information varies. Consequently,

information in financial reports must contain the quality of maximum meaningfulness, which considers users both with high and low degrees of knowledge [Ref. 8; p. 36].

"Comparability" refers to information which can be compared with other information. The degree of comparability is determined by how consistent and uniform it is from period to period and from entity to entity. Obviously the more comparable the information, the more valuable it is and its usefulness increases. Noncomparable information between entities and between periods significantly reduces its usefulness in decision-making [Ref. 8; p. 36].

"Neutrality" refers to information which is presented in a manner that is free from slant, inclination, or prejudice. The method of presentation selected must present fair and truthful information that is misstated or misleading. However, increased neutrality increases the objectivity and usefulness, especially when the users have divergent interests [Ref. 8; pp. 36-27].

"Materiality" refers to the significance of an item of information which could appear, does appear, or does not appear in a financial report. Generally, materiality is that amount, or item of information, that could influence a decision of a user. Materiality is determined by whether the omission or misstatement of an item has a chance of changing the decision of a reasonable individual relying on

correct information. Materiality relates to qualitative as well as quantitative information [Ref. 8; p. 37].

These six qualitative factors interact. An attempt should be made to prevent financial information which contains a high degree of each characteristic. However, obtaining a high degree of one may necessitate the sacrifice of a certain degree of another. Increased relevance may sacrifice a certain amount of neutrality, for example, and vice versa. Nevertheless, the total usefulness of information rests upon achieving the highest practicable optimal mix of meaningfulness, reliability, relevance, comparability, neutrality, and materiality [Ref. 8; p. 37].

One commentator on governmental accounting states that: "Federal Government accounting certainly qualifies as a field of specialization within the accounting family" [Ref. 11; p. 4]. The GAO conceptual framework describes some of the unique aspects. The objectives, environmental factors and users' implications are useful as a springboard into a financial reporting system evaluation. Using the GAO document as an analytical framework the CG EDF financial reporting system is described in the next chapter.

III. COAST GUARD ENLISTED DINING FACILITY ACCOUNTING AND FINANCIAL REPORTING SYSTEM

A. INTRODUCTION

Chapter III begins the discussion of the CG EDF accounting system. The CG Comptroller Manual (COMPTMAN) is the primary source of the CG system description. The information in Chapter IV supplements this by describing the actual usage of the system at a CG unit. Together the two chapters provide the information necessary with which to make a comparison with the General Accounting Office statement of objectives presented in Chapter II.

B. GENERAL COMMENTS

"The subsistence policy of the Coast Guard is to provide enlisted members with a well-balanced diet containing proper amounts of food necessary for health and well-being, at minimum cost. Normally enlisted members will be furnished rations in kind. (EDF's)...will be employed to the fullest extent compatible with economy and operational efficiency of the unit to which the enlisted member is attached" [Ref. 6; para. 3F01002]. This quote from the CG Comptroller Manual (COMPTMAN) outlines the purpose of the EDF. This chapter focuses on the procedures prescribed in the COMPTMAN. Additional technical directives and documents are used to interpret and amplify the COMPTMAN information. When direct

quotes are supplied, the current terms in use at this date (summer 1980) are parenthetically added by the writer (e.g., the term EDF rather than "mess hall" is used).

Exhibit 3 shows the organizational hierarchy for EDF's. There are three levels in the hierarchy consisting of the Commandant's staff, the District Commander's staff, and the local unit. The key staff positions at each level are discussed below.

According to the COMPTMAN, technical and management control of all EDF's is vested in the Commandant (COMDT) of the CG. A component in the Office of Comptroller of the CG is the unit performing this function and is indicated in Exhibit 3 and the text by its staff symbol COMDT (G-F). The section of the COMPTMAN concerning the EDF and all CG-wide directives concerning EDF operations are promulgated by the COMDT (G-F) staff.

The District Commanders have been delegated responsibility for EDF administration within the local commands under them. The District Commanders have established oversight responsibility of the EDF within their respective Comptroller Divisions. This division has two staff components which review the activities of the EDF's. The Subsistence Advisory Team (SAT) is comprised of senior enlisted personnel experienced in EDF activities. Typical duties of a SAT include such activities as the review of EDF menus,

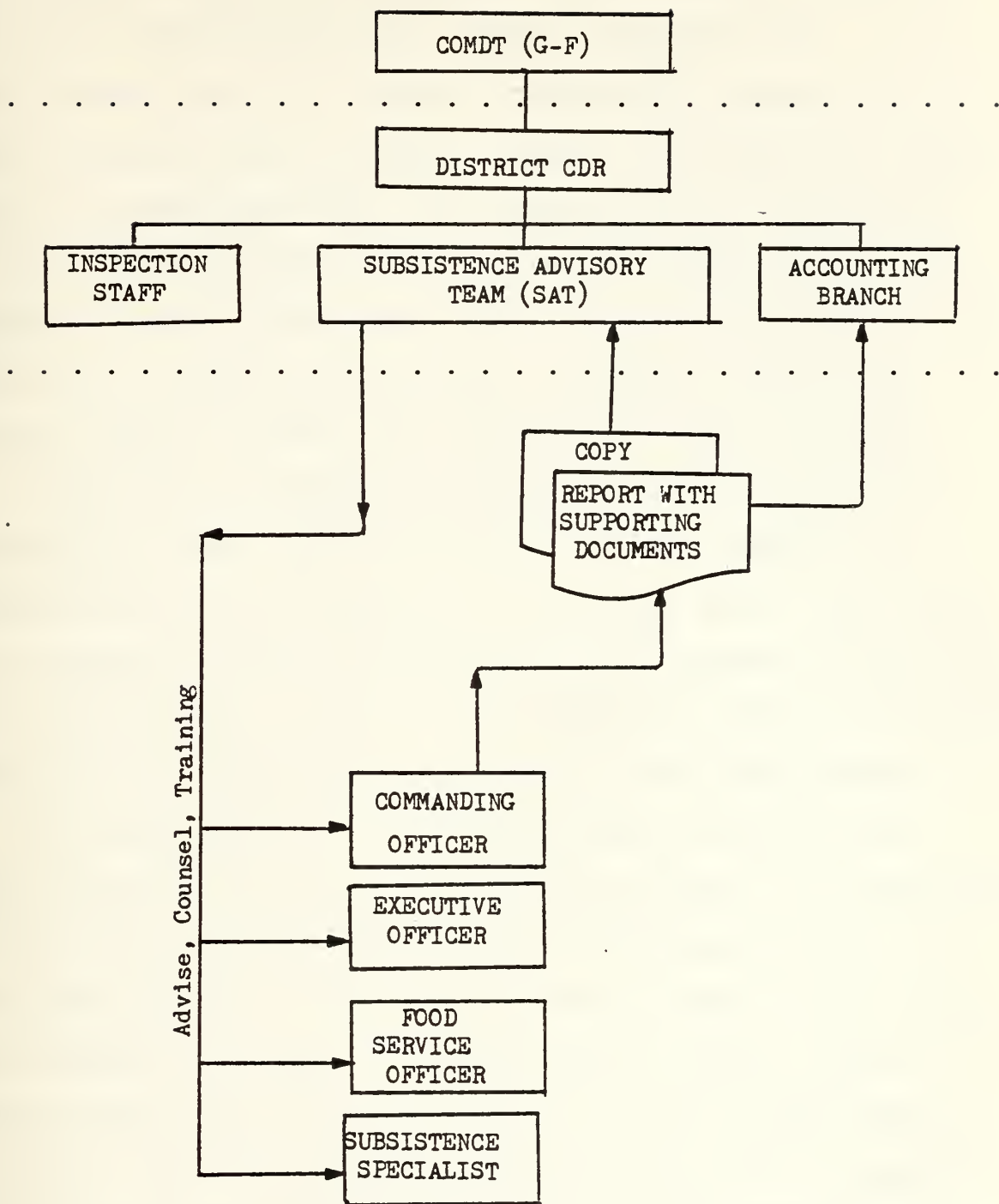


EXHIBIT 3. ORGANIZATION OF THE ENLISTED DINING FACILITIES REPORTING SYSTEM

advising the local EDF personnel on procurement, inventory control, record-keeping and reports, and sanitation. They also conduct on-site training in these areas as well as in food preparation and service. The SAT is an advisory rather than an inspection staff. The second District Comptroller staff component is the accounting branch which verifies the monthly reports, procurement and expenditure documents. This function is conducted by mail and telephone with minimal direct contact between this branch and the EDF personnel.

The District Commander's Inspection Staff occasionally conducts an audit and inspection of the EDF, usually in connection with an inspection of the whole unit. The inspection serves to verify the accuracy of the reports, inventories, and cash balances as well as the compliance with all applicable district and headquarters directives by the EDF personnel.

At the unit level of the organization, there are four main individuals who are involved with the EDF. The Commanding Officer (CO) is responsible for all activities by the unit including the EDF. The Executive Officer (XO) is the second in command at the unit. The Food Service Officer (FSO) is designated by the CO and is responsible for the EDF administration. The Senior Subsistence Specialist (SS) is responsible for the EDF operations. The typical SS duties include:

- a. being in charge of all personnel assigned to the EDF,
- b. preparing the weekly menus,
- c. supervision of the preparation, service, and quality of food, and

- d. being responsible for the overall economy and efficiency, sanitation and maintenance of EDF equipment and spaces.

At the present time there are 402 EDF's established [Ref. 12]. The total number varies as vessels are added or deleted from the fleet, and changes are made in the number of shore establishments. There are six classes of EDF's. The six classes are:

1. Class A: Assigned to units subsisting larger than average complements. (For example, Training Centers.)
2. Class B: Units with three or more SS in their authorized personnel allowance (APA) and which have adequate market facilities from which to obtain provisions.
3. Class C: Units with two SS in their APA and have adequate market facilities; also includes units with three or more SS without adequate market facilities.
4. Class D: Units with two SS and lacking adequate market facilities.
5. Class E: Units with one SS and adequate market facilities.
6. Class F: Units with one SS lacking adequate market facilities; also includes other unusual situations, such as lightships, as determined by the district commander.

The classification is determined by the district commander and reviewed annually for changes in SS personnel allowances and market conditions. The classification serves a purpose in determining the EDF financial standing and will be discussed further. Exhibit 4 shows the number and percentage of EDF's by classification. The last column indicates the amount

EXHIBIT 4.

THE NUMBER OF ENLISTED DINING FACILITIES
BY CLASSIFICATION AND THE INCREASES
FOR DETERMINING THE RATION ALLOWANCE

Classification of EDF	Number of EDF's	Percentage of the total number of EDF's	Percent increase over the BDFA allowed
A	5	01	No increase
B	53	13	2.5
C	58	15	10
D	47	12	20
E	182	45	30
F	57	14	40

Source: Internal statistical data provided by Commandant's staff in April 1980. The BDFA increases are taken from the CG Comptroller Manual.

of increase in the Basic Daily Food Allowance that is permitted by COMPTMAN. This increase is discussed in the next section.

C. RATION REGULATIONS

This section discusses the EDF's income determination. The EDF is allowed one daily ration for each person entitled to be fed there. The data concerning the number of men authorized to be fed or how many rations are allowed is provided to the FSO on a daily basis through the unit's administrative process. The unit XO or Personnel Officer certifies to the FSO this number daily by completing a Ration Memorandum (Exhibit 5). Additionally, once each month a summary Ration Memorandum is provided by the XO to the FSO with the monthly total number of persons entitled to rations-in-kind (Exhibit 6). The COMPTMAN requirements indicate that only the XO may sign the monthly summary as this number is the basis for determining the EDF ration allowance.

Each EDF is allotted an allowance for each ration. The dollar amount of the allowance is based on a basic daily food allowance (BDFA) and the classification of the EDF. A basic monetary allowance is computed by COMDT(G-F) on a quarterly basis. The dollar value is based on the average price of a market basket of food. COMDT(G-F) releases the BDFA to the district commanders prior to the beginning of a quarter. The classification of the EDF determines the increase allowed over the BDFA. Exhibit 4 shows the amount of

DEPARTMENT OF TRANSPORTATION U. S. COAST GUARD CG-3123 (Rev. 1-79)		RATION MEMORANDUM				
UNIT NAME <div style="font-size: 1.2em; font-family: cursive;">CGC Assurance</div>				OFFAC NUMBER <div style="font-size: 1.2em; font-family: cursive;">04-12119</div>		
INSTRUCTIONS Prepare separate CG-3123's for ENLISTED DINING FACILITY and each PRIVATE MESS (Wardroom, Cabin, etc.). Use separate columns to state rations at different rates. Explain special rates (N 50°N. Lat., etc). Show breakdown of CG Reserve Trainee rations by subhead and cost code, or by travel order number.			TYPE OF MEMORANDUM (Check appropriate box) <input checked="" type="checkbox"/> STATEMENT OF DAILY RATIONS ALLOWED DINING FACILITY <input type="checkbox"/> SUMMARY OF DINING FACILITY ALLOWED DURING ACCOUNTING PERIOD <input type="checkbox"/> AUTHORIZATION FOR COMMUTATION OF RATIONS TO A PRIVATE MESS			
DATE <div style="font-size: 1.2em; font-family: cursive;">28 NOV</div>		CLASS <div style="font-size: 1.2em; font-family: cursive;">U FM</div>		NUMBER OF RATIONS ALLOWED		
PERIOD COVERED FROM <div style="font-size: 1.2em; font-family: cursive;">28 NOV</div> TO		a	b	c	d	
		RATE	RATE	RATE	TOTAL (a+b+c+d)	
				3.94		
A. ENLISTED DINING FACILITY	1. Regular Issues			56	56	
	2. Flight Subsistence			1	1	
	3. CG Cadets					
	4. CG Auxiliaries					
	5. CG Reserve Trainees					
	6.					
	7.					
	8.					
	9.					
	10.					
	11.					
	12.					
	13.					
	14.					
	15.					
	16. TOTAL (Lines A-1 through A-15)				57	57
B. PRIVATE MESS	1. Substance Specialist					
	2. CG Cadets					
	3.					
	4.					
	5. TOTAL (Lines B-1 through B-4)					
	6. VALUE (Rate x No. Rations)					
	7. TOTAL AMOUNT TO BE COMMUTED (Sum of Line B-6 Entries)					
	8. PAYEE FOR COMMUTED RATIONS		9. ACCOUNTING DATA			
REMARKS <div style="font-size: 1.2em; font-family: cursive;">ADDITIONAL 10% AUTHORIZED, PERIOD 28 NOV - 30 NOV 1979, RE: MSG 251749/291</div>						
SIGNATURE (Attesting Officer, include title)						
ASSIGNMENT OF COMMUTED RATION PAYMENT TO DINING FACILITY						
Proceeds from this authorization (Line B-7) to be credited to COAST GUARD SUPPLY FUND in settlement of provisions purchased from Dining Facility of USCG			SIGNATURE (Mess Treasurer)			
during month of _____ 19 _____.						

PREVIOUS EDITIONS MAY BE USED

EXHIBIT 5. Daily Ration Memorandum
SOURCE: COAST GUARD COMPTROLLER MANUAL.

DEPARTMENT OF TRANSPORTATION U. S. COAST GUARD CG-3123 (Rev. 1-79)		RATION MEMORANDUM				
UNIT NAME CGC ASSURANCE (WHEC 690)				OFFAC NUMBER 04-12119		
INSTRUCTIONS Prepare separate CG-3123's for ENLISTED DINING FACILITY and each PRIVATE MESS (Wardroom, Cabin, etc.). Use separate columns to state rations at different rates. Explain special rates (N 50°N, Lit., etc). Show breakdown of CG Reserve Trainee rations by subhead and cost code, or by travel order number.			TYPE OF MEMORANDUM (Check appropriate box) <input type="checkbox"/> STATEMENT OF DAILY RATIONS ALLOWED DINING FACILITY <input type="checkbox"/> SUMMARY OF DINING FACILITY ALLOWED DURING ACCOUNTING PERIOD <input type="checkbox"/> AUTHORIZATION FOR COMMUTATION OF RATIONS TO A PRIVATE MESS			
DATE 4 DEC 79 <input type="checkbox"/> UPN		CLASS "C"		NUMBER OF RATIONS ALLOWED		
		a	b	c	d	e
PERIOD COVERED		RATE	RATE	RATE	RATE	TOTAL (a+b+c+d)
FROM 1 Nov 79	TO 30 Nov 79					
1. Regular Issues		3.54	3.62	3.94		1649
2. Flight Subsistence		1033	336	280		1
3. CG Cadets						
4. CG Auxiliaries						
5. CG Reserve Trainees						
6. SUPREN MT EVEREST		2				2
7.						
8.						
9.						
10.						
11.						
12.						
13.						
14. CASH/CREDIT SALES		24	36	25		85
15. REIMBURSABLE ISSUES		0	1	0		1
16. TOTAL (Lines A-1 through A-15)		1058	373	306		1758
1. Subsistence Specialist						
2. CG Cadets						
3.						
4.						
5. TOTAL (Lines B-1 through B-4)						
6. VALUE (Rate x No. Rations)						
7. TOTAL AMOUNT TO BE COMMUTED (Sum of Line B-6 Entries)						
8. PAYEE FOR COMMUTED RATIONS			9. ACCOUNTING DATA			
REMARKS LINE 6, COL A, PARA 2-C.4. LINE 2, COL C, PARAS 2-C.4./2-F. COL (b), UNDERWAY 21 DAY PATROL 20 NOV 79, PARA. 2-B, COL (c), ADDITIONAL 10% INCREASE FOR PERIOD 28-30 NOV, REF: G-F MSG 251749/291						
SIGNATURE (Attesting Officer, include title)						
<i>I. M. Executive Officer</i>						
ASSIGNMENT OF COMMUTED RATION PAYMENT TO DINING FACILITY						
Proceeds from this authorization (Line B-7) to be credited to COAST GUARD SUPPLY FUND in settlement of provisions purchased from Dining Facility of USCG				SIGNATURE (Mess Treasurer)		
during month of _____ 19 ____.						

PREVIOUS EDITIONS MAY BE USED

EXHIBIT 6. Monthly Ration Memorandum
SOURCE: COAST GUARD COMPTROLLER MANUAL.

the increase permitted by classification of the EDF. Exhibit 7 illustrates the computation of the ration allowance based on the BDFA and the increases allowed. The additional increases for vessels underway (also illustrated) are explained in Exhibit 8. The total monetary allowance available to the EDF is determined by multiplying the number of rations to which the EDF is entitled as listed in the Ration Memorandum by the computed ration allowance for the same period.

Besides its monetary allowance, the EDF receives income from the sale of meals. Meals are sold to enlisted personnel to whom the CO has granted a cash amount in lieu of rations-in kind. For example, this permission would be granted if a married enlisted person at a shore station ate most meals at home and only occasionally ate at the EDF. In such a situation, a Commuted Ration (COMRATS) is paid to the enlisted person. The person then pays cash for the meals eaten at the EDF. The value of the meal sold is computed in terms of a ration equivalent. The computation of the ration equivalent is prescribed in the COMPTMAN. Exhibit 9 shows this computation. This same procedure is also followed when officer personnel are subsisted. The unit CO's permission is required for officers to be fed at an EDF. The total income or ration allowance plus sales is calculated on a daily basis. The cost of stores consumed is subtracted from this total income amount to determine the financial standing of the EDF.

EXAMPLES OF RATION ALLOWANCE COMPUTATION

(1) Basic allowance promulgated by Commandant (F).....			\$1.1500	100 %
Standard Class "B" increase (subparagraph 3).....			+ .0288	+ 2 1/2 %
			<u>\$1.15 x 1.025 =</u>	<u>\$1.1788</u>
Normal Class "B" ration allowance.....			<u>\$1.18</u>	<u>102 1/2 %</u>
(2) Basic allowance promulgated by Commandant (F).....			\$1.1200	100 %
Standard Class "B" increase (subparagraph 3).....			.0280	2 1/2 %
Special increase for vessel absent from homeport				
21+ days (subparagraph 4a).....			+ .0280	+ 2 1/2 %
			<u>\$1.12 x 1.05 =</u>	<u>\$1.1760</u>
Allowance during absence from homeport.....			<u>\$1.18</u>	<u>105 %</u>
(3) Basic allowance promulgated by Commandant (F).....			\$1.1800	100 %
Standard Class "C" increase (subparagraph 3).....			.1180	10 %
Special increase for vessel absent from homeport				
21+ days (subparagraph 4a).....			.0295	2 1/2 %
Additional increase for operations N. of 50° N.				
Latitude (subparagraph 4b).....			+ .1770	+15 %
			<u>\$1.18 x 1.275 =</u>	<u>\$1.5045</u>
Allowance while N. of 50° N. latitude.....			<u>\$1.50</u>	<u>127 1/2 %</u>
(4) Basic allowance promulgated by Commandant (F).....			\$1.1600	100 %
Standard Class "E" increase (subparagraph 3).....			+ .3480	+30 %
			<u>\$1.16 x 1.30 =</u>	<u>\$1.5080</u>
Normal Class "E" ration allowance.....			\$1.51	
Special allowance for newly established mess				
(subparagraph 4c).....			+ .05	
Allowance during first 30 days of operation.....			<u>\$1.56</u>	

EXHIBIT 7.

SOURCE: COAST GUARD COMPTROLLER MANUAL.

ADDITIONAL RATION ALLOWANCE INCREASES

The Basic Daily Food Allowance (BDFA) promulgated by the Commandant (G-F) will include a one percent increase for the months of November, December, and January due to the number of holidays in those months.

Additional increases allowed to individual Enlisted Dining Facilities are as follows:

- a. Vessels absent from home port 21 or more consecutive days are entitled to a 2.5% increase of the basic ration allowance for each day absent.
 - (1) Credit is allowed for the actual number of days absent only.
 - (2) Lightships do not receive this entitlement.
 - (3) In determining the number of days absent, the status of the vessel at midnight will govern.
- b. Units deployed in Operation Deep Freeze are authorized an increase of 50% of the basic ration allowance.
- c. Units operating North of 50° N. latitude or South of 50° S. latitude (unless on deployment in Operation Deep Freeze) are authorized an increase of 15% of the basic ration value.
- d. Newly established messes are authorized a five-cent (5¢, not 5%) increase over the basic ration allowance for the first thirty (30) days of operation.

Temporary decreases or increases in the authorized ration allowance may be requested (via the chain of command) from Commandant (G-F).

When computing a general mess's ration allowance, using the above percentages, carry out the computations to four decimal places. Then round the answer to the nearest cent; fractions of less than one-half cent are dropped and fractions of one-half cent or more are increased to the next higher cent.

SOURCE: U.S. COAST GUARD Pamphlet GENERAL MESS ADMINISTRATION,
U.S. COAST GUARD TRAINING CENTER, PETALUMA, CA
(June 1973) [Ref. 13].

EXHIBIT 8

DEPARTMENT OF TRANSPORTATION U. S. COAST GUARD CG-3123A (1-70)	VALUE OF RATIONS AND MEALS SOLD		
UNIT	<u>CGC ASSURANCE</u>	PERIOD	<u>21 NOV 1979</u>
		RATION VALUE	<u>3.62</u>
TO: General Mess Ration Auditor 1. The following is a breakdown of meals sold to persons not authorized a ration in kind, and meals furnished to enlisted members of other armed services temporarily attached this command and entitled to a ration in kind.			
		MEALS SERVED	CONVERSION FACTOR
BREAKFAST	3	x .20	.60
DINNER	8	x .40	3.20
SUPPER	5	x .40	2.00
BRUNCH		x .45	
SUPPER/BRUNCH		x .55	
HOLIDAY MEAL		x .60	
TOTAL RATION EQUIVALENTS →			<u>5.80</u>
TOTAL RATIONS CLAIMED (<u>6</u>) x RATION VALUE (\$ <u>3.62</u>) = VALUE FOR PERIOD (\$ <u>15.72</u>)			
<div style="display: flex; align-items: center;"> <div style="border: 1px solid black; border-radius: 50%; padding: 5px; margin-right: 10px; text-align: center;"> NEAREST WHOLE RATION </div> <div> Signature of Commissary Officer <u>J. P. Morgan, SS1</u> </div> </div>			
Encl: (1) Issue/Sales Slip (CG-2581) Nos. _____ thru _____ for cash sales (2) Individual's Mess Account (CG-3476) for meals furnished enlisted members of other services			
AUDIT ACTION			
<i>The undersigned CERTIFY the above to be an accurate recapitulation of general mess meals sold or furnished as indicated by the enclosed receipts. Enclosures are returned herewith.</i>			
RANK/RATE	SIGNATURE		
RANK/RATE	SIGNATURE		
RANK/RATE	SIGNATURE		
REMARKS			

EXHIBIT 9.

GPO 955-957

SOURCE: COAST GUARD COMPTROLLER MANUAL.

D. INVENTORY ACCOUNTING

Adequate inventory levels of subsistence items enable the EDF management to meet the feeding requirements of the unit. The COMPTMAN describes inventory control as the determination of requirements, supervision of stock upkeep, and the proper receipt, care and expenditures of subsistence items. When normal supply sources are available for frequent replenishment, inventory levels should not exceed the requirements for 60 days [Ref. 6; para. 3F01001]. The COMPTMAN prescribes a Perpetual Inventory Control system by which the EDF managers may control the EDF inventory.

This system requires two continuous controls -- quantity control and money-value control. The quantity control records consist of individual Provision Ledger forms for each item in stock. The ledgers enable the recording of receipt and expenditure transactions as well as price, name, stock numbers, and units of issue. Exhibit 10 is an illustration of one such ledger.

The Provision Inventory Control Record (Exhibit 11) is used for money-value inventory control. The receipt and expenditure transactions are recorded by total dollar value. Additional adjustments for price gains and losses are also recorded. The monetary value and quantity on-hand of the perpetual inventory provisions are to be verified by annual physical inventories. The COMPTMAN also discusses the use

DEPARTMENT OF U. S. COAST GUARD		PROVISION LEDGER				STOCK NUMBER		ARTICLE	
REMARKS: 8510-616 0751 Price. 4-51		LOCATION		HIGH LIMIT		PACKAGING DATA		UNIT PRICE	
SUBS: 8510-172-9316 DE 444. CM		C. 103		240		30 DZ. PER CASE		.38 .38 .37	
DATE	RECEIPTS	GEN'L MESS	CABIN	WARDROOM	OTHER	BALANCE	RECEIPTS	EXPENDITURES	BALANCE
1763						240			145
AUG. 1	INVENTORY	10		1		229			128
2		7	1	1		220			100
3		15				205			84
4				2		203			222
5		10	1			192			207
6		10	1	1		180			193
8		20	1	4		155			180
10		20	1	1		134			161
12		15	1	4		114			
14		20	1	4		90			
16		15	1	4		70			
18		180				250			
19		10	1	2	6	231			
20		10	2	2	1	216			
22		10	1	3		202			
25		20		4	4	174			
27		10	1	2	1	160			
29		10	1	4		145			
30		130	12	39	12	145			
31	INVENTORY					✓			

"UNIT PRICE" IS LAST PRICE PAID, ROUNDED TO NEAREST WHOLE CENT

HIGH AND LOW LIMITS OPTIONAL; WHEN USED, THEY SHOULD AGREE WITH STANDARD PACKAGES, ETC., IN WHICH ITEMS PROCURED

USE "OTHER" COLUMN FOR SURVEYS, TRANSFERS TO OTHER GEN'L MESSES, ETC.

PERPETUAL INVENTORY OF SUBSISTENCE ITEMS IS NORMALLY MAINTAINED ON CG-4246a. STOCK CARDS (NAVSANDA-766) MAY BE USED IN LIEU OF CG-4246a. (SEE PARAGRAPH 3-03002 2.)

MONEY CONTROL OF THE QUANTITIES RECORDED ON PROVISION LEDGER SHEETS, OR OPTIONAL STOCK CARDS, IS MAINTAINED ON CG-3469, PROVISION INVENTORY CONTROL RECORD. (SEE FIGURE 3-2.)

PREVIOUS EDITION MAY BE USED

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EXHIBIT 10. Provision Inventory Control Ledger
SOURCE: COAST GUARD COMPTROLLER MANUAL.

of loading guides, high and low limit stock determinations, and space considerations which do not contribute to the purpose of the thesis and therefore will not be discussed.

E. PROCUREMENT, RECEIPT AND INSPECTION

Procurement authority is delegated by COMDT and the district commanders to the CO's and FSO's. Procurement of EDF provisions are chargeable to the CG Supply Fund. The procurement files provide the pricing information and substantiate the entries on the inventory records and reports [Ref. 6; para. 3F04001]. The 60-day inventory value and storage capacity of the EDF generally limit the funds that are committed for EDF provision purchases.

Sources of supply require careful selection. Important considerations include location and size of the EDF, accessibility to government supply activities, availability of transportation, and base and ship operation schedules. Commonly used items such as milk are ordered on a blanket purchase order issued by the District Commander's staff. The general policy is to procure subsistence items from the most economical sources [Ref. 6; para. 3F04004]. Normally these will be from government supply activities or government-operated commissaries. There are many special and general purpose instructions in the COMPTMAN regarding the procurement, receipt and inspection of food items, mainly to ensure that the provisions are fit to eat.

The FSO has responsibility for the careful and critical inspection of all subsistence items received by the EDF. The FSO, or designee, inspects for quantity and condition. The regulations governing receipt and inspection vary somewhat with the type of product (for example, meat or milk) and source of supply (government or commercial). The quantity actually received is recorded. If doubt exists as to the condition of the item, it is rejected until inspected by medical or specially trained food inspection personnel. The receipt document is matched with the procurement documents and forwarded to the District Commander's accounting office where it is processed for payment.

F. EXPENDITURES FROM INVENTORY

In this section, a discussion of inventory expenditures is presented. The monetary value of provisions issued to the EDF is deducted from the total inventory and the quantities are subtracted from the individual stock ledgers. The quantity issued is based on the number of rations provided by the personnel officer, as discussed above, and the experienced number of customers by meal (i.e., the number for breakfast is usually less than the number for a steak dinner at noon time, especially when a large number of the crew is on COMRATS). The menu is prepared by the senior SS based on the likes and dislikes of the unit personnel, cost considerations, and nutritional requirements. The menu is

reviewed by the FSO, and then by the CO whose final approval is indicated by a signature on the menu. The CO's signature, required by the COMPTMAN, has two effects:

1. Grants authority for issues to the EDF, and
2. Becomes an order that foods specified will be served on the day and at the time specified.

The CO's signature controls the expenditures from inventory in that only items for the day's meals will be issued.

These issues are recorded on an issue document and are deducted from the inventory records. Exhibit 12 illustrates a typical issue transaction. The price on the inventory ledger is the price charged for the issues which is the most recent price at which goods are received. Another less frequent type of expenditure is the transfer of provisions to another EDF or authorized activity. This requires similar documentation and requires signatures by both the FSO and the receiving activity. This type of transfer must also be authorized by the CO.

The expenditure documents provide the basis for computing the value of Stores Consumed on a daily basis. This enables a comparison of the daily income and expenditures and provides the FSOs with a measure of their financial standing. The COMPTMAN requires that the EDF operate within its ration allowance subject to certain provisions discussed below.

1. Saving

If the total ration allowance for a month is greater than the net cost of stores consumed a saving has resulted.

1. Subistence items to be issued to the general mess are determined from approved menus (NAVSANDA-1080) and quantities computed according to recipes (NAVSANDA PUB 7, etc.).

2. Issues are recorded on CG-2581, Issue/Sales Slip, or optional CG-4261, Provision Inventory Report, by units maintaining perpetual inventory control or operating on a simplified "expenditure vs. allowance" basis. (CG-2581 is more practical for most Coast Guard operations.) The issue document is priced, extended, and totaled. The day's issues are reported to the commissary officer the following morning by the senior commissaryman.
3. The money value of issues is posted to the Daily Ration Cost Record (CG-3471) by the units indicated in 2 above. Additional postings are made by units maintaining perpetual inventory control, as follows:
Quantities are posted to Provision Ledger sheets (CG-4246) or optional Stock Record cards (NAVSANDA-766); money value is posted to the Provision Inventory Control Record (CG-3469).
4. Issue documents are compared with the menu to check whether unauthorized items were charged to the mess. Inventory balances on stock records are spot checked between regular inventories to test the accuracy of the issue documents and/or the stock records.
5. Completed issue documents are retained in the unit files for inspection and/or audit.

EXHIBIT 12. Issue/Sales Slip

SOURCE: COAST GUARD CONTROLLER MANUAL.

The saving, if not used to liquidate a deficit accumulated in the previous months, will be carried forward to the following month. However, the total accumulated unused allowance which may be carried forward is limited to a maximum amount which is a percentage of the total monetary allowance for the month. The percentages as stated in the COMPTMAN are [Ref. 6; para. 3F02005]:

<u>Class of EDG</u>	<u>Percent allowed to be carried forward</u>
A, B, C ashore	10%
B, C afloat	20%
D, E, F ashore & afloat	40%

2. Loss

If the total ration allowance for the month is less than the net cost of stores consumed in that same period, a loss has resulted.

3. Deficit

If losses exceed the accumulated savings brought forward from the previous month, a deficit has occurred. A deficit of less than ten percent of the total ration allowance for the period will be carried forward and liquidated by effecting economies and savings in subsequent months. A deficit over ten percent requires a written statement by the FSO explaining the cause and corrective action taken to liquidate it. Failure to liquidate an excess deficit within a reasonable time period or unexplained deficits are

investigated further under CG investigation procedures unrelated to this thesis. Sample savings, loss and deficit calculations are provided in Exhibit 13. The provision for savings and losses within these prescribed limits allows for the difficulty inherent in expending an amount for food exactly equal to the ration allowance.

G. RECORDS AND REPORTS

This section discusses the EDF reports and records which are used to record the EDF transactions.

1. The EDF Operating Statement (EDFOS)

The EDFOS (Exhibit 14) is the primary summary reporting document in the EDF accounting and financial reporting system. The controls and records discussed above are useful in supporting the various summary data reported on the EDFOS. The EDFOS is submitted monthly from the FSO to the District Commander via the unit CO.

a. Block A, Operating Statement

This first section of the EDFOS reports on the flow of the EDF inventory and allows the calculation of charges to the CG appropriated funds accounts. The beginning inventory balance is the first line entry. To this amount is added the amount of any provisions transferred into the EDF from other CG units (line 2) and the amount of the Purchases received during the reporting period (line 3). The total value of Receipts and Purchases is also scheduled in blocks

SAMPLE SAVINGS, LOSS, AND DEFICIT CALCULATIONS

NORMAL OPERATION (Class F EDF)

Ration allowance 1-30 April - - - - -	\$975.65
Stores consumed 1-30 April- - - - -	950.45
SAVING from April operations- - - - -	<u>\$ 25.20</u>
Unused allowance B/F from 31 March- - -	<u>75.90</u>
Accumulated unused allowance C/F to 1 May (within maximum allowed for Class F mess: ration allowance \$975.65 x 40%, or \$390.26)- - - - -	<u><u>\$101.10</u></u>

SURPLUS FORFEITURE (Class C EDF)

Ration allowance 1-31 March - - - - -	\$2,475.50
Stores consumed 1-31 March- - - - -	2,395.25
SAVING from March operations- - - - -	<u>\$ 80.25</u>
Unused allowance B/F from 29 February - -	205.70
Accumulated unused allowance- - - - -	<u>\$ 285.95</u>
Accumulation C/F to 1 April (ration allowance \$2,475.50 x 10% ceiling for Class C EDF ashore) - - - - -	247.55
"SURPLUS" forfeited @ 31 March- - - - -	<u><u>\$ 38.40</u></u>

MAJOR DEFICIT (written explanation required with monthly report)

Ration allowance 1-30 September - - - - -	\$3,575.80
Stores consumed 1-30 September- - - - -	3,795.25
LOSS from September operations- - - - -	<u>\$ (219.45)</u>
Deficit B/F from 31 August- - - - -	(170.15)
Accumulated deficit @ close of business 30 September - - - - -	<u><u>\$ (389.60)</u></u>

(Deficit exceeds 10% of ration allowance; i.e.,
\$3575.80 x .10 = \$357.58)

SOURCE: U.S. COAST GUARD COMPTROLLER MANUAL, VOL. 4,
Section E02005.

G. PURCHASES
(List and subtotal separately by Navy, Other Government Departments and Commercial. Attach additional sheet if required.)

[illegible]

EXHIBIT 14. E.D.F.O.S. Continuation

H and G, respectively (Exhibit 14). The total inventory available for use is reported on line 4.

Three miscellaneous inventory depletions are listed on lines 5, 6, and 7. These are depletions of inventory for reasons other than the feeding of the unit's personnel. The term "Surveys" on line 5 and Block J is used for such extraordinary losses as spoiled goods or excessive shrinkage noted during physical count of the EDF provisions. Sales of Stores (line 6 and Block E) represents the cash or credit sales of food items other than cooked portions served at the EDF. The last deduction is for Transfers to other CG units (line 7 and Block I) which is self-explanatory.

One additional deduction, the Ending Inventory (line 8) is reported. The dollar value reported is that balance from the Provision Inventory Control Record (or book value of the inventory) or the actual value determined by physical count and dollarization, if different from the P.I.C.R. amount. This ending inventory balance plus the miscellaneous deductions are then subtracted from the amount available for use (line 4) to obtain the amount of food consumed by all the EDF customers (line 10).

The next entry (line 11) is the dollar amount of the meals sold at the EDF. This amount is the amount collected from the enlisted persons on COMRATS and the officers that eat at the EDF. This amount is subtracted from the Net Value of Stores Consumed. The amount remaining

(line 12) represents the amount of EDF stores consumed in feeding the enlisted personnel entitled to rations-in-kind. The entry on the EDFOS is titled "Charges to Appropriated Funds." CG Headquarters transfers this amount from the CG operating funds to the Supply Fund Account.

The average cost of feeding one man a ration (three meals) during the reporting period is stated next (line 13). This dollar value is found by dividing the Net Value of Stores Consumed by the total number of rations served by the EDF during that period. The number of rations is computed in Block B of the EDFOS and is discussed in detail below.

The ratio of issues to the inventory (Inventory Turnover ratio) is listed next (line 14). The sum of the three types of issues (Sale of Stores, Transfers out, and Stores Consumed) is divided by the Ending Inventory for the period. Since the COMPTMAN specifies a maximum inventory of sixty days supply for normal operating conditions and the normal reporting period is one month, the inventory turnover ratio normally exceeds 0.50. The EDFOS reports this is a ratio; however, the COMPTMAN guidance requires reporting it as a percentage. The COMPTMAN requires the EDF managers to include an explanation for ratios less than fifty percent which indicate an inventory build-up in excess of the sixty days amount.

b. Block B, Surplus Account

This block of the EDFOS reports on the financial conditions of the EDF. The allowance (or income) available for use in the food service operation is determined first. Then the value of the food consumed is deducted to obtain the value of the savings or loss for the reporting period. To this value is then added the accumulated unused allowance (or deficit) from the last period to determine the final financial status of the EDF operations to date.

The allowances claimed are reported first (lines 15, 16 and 17). The number of rations claimed equals the number reported on the monthly RATION MEMORANDUM prepared by the XO at the end of the period. One or more of the available lines may be used depending on the status of the persons being fed (regular or reservists) and/or the ration value used for the entry. The ration values may change during the reporting period depending on the operating schedule of a vessel or as otherwise permitted by the COMPTMAN.

The ration equivalents of the meals sold for cash at the EDF are reported on lines 18, 19, and 20. The same ration value(s) used for the rations claimed is (are) used here. Simple addition of the number of rations reported on lines 15 through 20 gives the total reported on line 21. This number represents the quantity of persons that received a ration (three meals) at the EDF for the period. This number

is used to compute the average cost of a ration discussed above.

The bottom half of Block B states the savings or loss for the reporting period as well as the accumulated allowance or deficit for the EDF to date. The total ration allowance (line 21) computed from the amounts on lines 15 through 20 minus the cost of the food consumed by the EDF customers (line 23 brought down from Block A) yields the savings or loss for the period (line 24). Note that a "savings" is called "unused allowance." Combining this with the cumulative results of previous periods (line 25), a new Unused Allowance or deficit is stated on line 26. With this amount now determined, a comparison is made with the limitation allowed by the COMPTMAN. The limitations are stated as percentages of the Total Ration Allowance. The percentages vary based on the class of the EDF. When the Accumulated Unused Allowance (Savings) is greater than the limit for the EDF, only the lower amount of the two is carried forward. The excess is disregarded in future periods and is not available to offset the cost of future feedings.

c. Block C, Remarks

This section is provided for explanatory information of an unusual or special nature to assist the reviewers.

d. Block D, Summary of Accounts Receivable

Provisions for credit sales of meals or stores to individuals exist in the COMPTMAN, and this section reports on the status of the collections on the credit sales. While this section is self-explanatory for the most part, comment on three entries may assist the reader in understanding the summary. Cash collected at the EDF is forwarded to the CG Collection Clerk at the district commander's office. These monies are receipted for by the Collection Clerk and the aggregate amount for which receipts are returned to the EDF is reported on line 34. All monies forwarded to the Collection Clerk but not receipted for by the same are considered "Cash-in-Transit" (lines 36 and 32). All sales to other agencies are paid for by non-cash transfers of funds using a Standard Form 1080 or 1081, and these amounts are reported to the district commander in line 37. The supporting documentation for all transactions reported is submitted to the District as attachments to the EDFOS.

e. Blocks E through J

Blocks E through J have been discussed in conjunction with Blocks A, B, C, and D above. The EDFOS is certified by the FSO as true and correct; then the CO examines and approves it prior to forwarding it to the district commander for review. Exhibit 15 indicates which supporting documents are submitted with the report. The

Arrangement of Enlisted Dining Facility Operating Statement
and Supporting Documents for Submission to Accounting Office

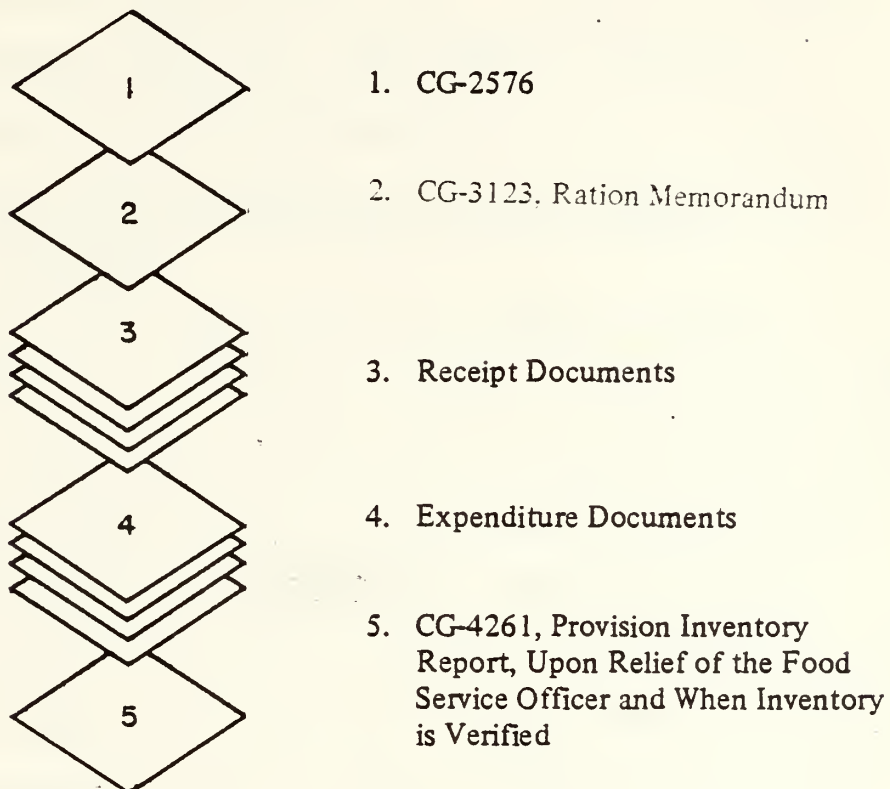


EXHIBIT 15.

SOURCE: COAST GUARD COMPTROLLER MANUAL.

EDFOS is a documented submitted to external management of the unit.

2. The Daily Ration Cost Record (DRCR)

The DRCR is the primary internal control document used by the FSO in managing the EDF. A DRCR is provided in Exhibit 16 for reference. The DRCR is actually a summary of the following information.

- a. The monetary ration allowance computed from the Ration Memorandum and the ration allowance.
- b. The value of meals sold (COMRATS sales).
- c. The value of Stores Consumed (issues to the EDF).

The DRCR is completed on a daily basis and provides a vehicle for computing a daily saving or loss, and the cumulative surplus (or deficit) for the monthly reporting period.

This report enables the FSO to see on a daily basis the effect of menu item costs, fluctuations in cash income as compared to ration allowances, and to foresee the end of the month surplus (or deficit). The computation of the Saving or Loss is facilitated by use of the DRCR and reports the approximate standing of the mess on a daily basis. Items such as Inventory losses would not appear in the DRCR without a physical inventory which explains why it only approximates the standing of the EDF.

H. CHAPTER SUMMARY

This chapter contains a discussion of the salient issues of the CG's EDF operations. The personnel were identified

DEPARTMENT OF TRANSPORTATION U. S. COAST GUARD CG-3171 (Rev. 2-77)				DAILY RATION COST RECORD					MONTH NAME		MONTH AND YEAR	
DATE	NUMBER OF RATIONS FURNISHED	RECEIPT NUMBER	CASH OR CREDIT SALE	TOTAL NATIONS (2-3+4)	BASIC DAILY FOOD ALLOWANCE	TOTAL OPERATING ALLOWANCE	VALUE OF STORES CONSUMED	DAILY SAVING (1-8)	DAILY LOSS (9-7)	TOTAL SURPLUS (11-10 9+11-10)	REMARKS	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	
51	55			55		194	72	55		136		
52	55			55		194	72	55		136		
53	54			54		194	72	55	68	23		
54	54			52		184	68	112	62	236		
55	54			52		184	68	114	65	357		
56	54			54		194	72	28	75	330		
57	56			56		230	101	48		359		
58	56			56		194	72	61		407		
59	55			55		194	72	102		468		
60	54			54		194	72	102	70	361		
61	54			54		194	72	102		463		
62	54			52		184	68	7		353		
63	54			54		194	72	7	11	561		
64	54			54		194	72	78	5	550		
65	54			56		226	111	78	61	541		
66	54			56		198	72	78	81	623		
67	54			55		194	72	105	44	541		
68	54			55		194	72	105		646		
69	54			61		215	113	80		727		
70	56			62		215	113	80		646		
71	56			63		224	121		53	674		
72	56			62		224	121		57	616		
73	56			62		224	121		20	546		
74	56			62		224	121		202	343		
75	56			62		224	121		11	331		
76	56			62		224	121		36	294		
77	56			62		224	121		23	271		
78	56			61		240	121	10	12	259		
79	57			62		244	121	5		269		
80	56			61		240	121	5		275		
81	56			61		240	121	24		275		
82	56			60		236	121		36	239		
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208	56			60		236	121			239		

along with the records and report. The flow of information from the daily records to the one external report, the EDFOS, has been discussed. For ease of reference, Exhibit 17 provides a summary of this discussion. It should be noted that the major constraints established in the COMPTMAN are bottom-line type constraints:

1. the upper and lower limits on savings or deficits accumulation, and
2. the 60-day inventory limitations. These constraints require the operating managers (the FSO and SS) to provide subsistence support within the computed ration allowance.

Review or audit of the EDF reports then becomes a matter of checking computations and dollars against the supporting documents submitted to the district commander at the end of the accounting period.

The application of the CG accounting and reporting system at a local CG unit is discussed in Chapter IV. Additional insights from the EDF personnel are presented in addition to a demonstration of the use of the prescribed records and reports. Chapter V concludes the thesis with a comparison of the CG system with the General Accounting Office model for Federal reporting systems discussed in Chapter II.

SUMMARY OF EDF RECORDS AND REPORTS DOCUMENTATION

INFORMATION	HOW IT IS DOCUMENTED		INTERNAL REPORTS UTILIZED		EXTERNAL REPORT UTILIZED	
RATION ALLOWANCE		RATION MEMORANDUM ISSUED BY XO TO THE FSO	DAILY RATION COST RECORD (DRCR) CG FORM CG-3471 lines 1 thru 5.	EDF OPERATING STATEMENT (EDFOS) CG FORM CG-2576, BLOCK B.		
SALES OF MEALS		SIGNATURE RECORD OR CASH REGISTER TAPES AT THE EDF	DRCR, line 6. and computed on CG FORM CG-3123: <u>VALUE OF RATIONS AND MEALS SOLD.</u>	EDFOS, BLOCKS B,D,F		
PURCHASES		PURCHASE ORDERS AND DELIVERY RECEIPT RECORDS	PROVISION INVENTORY CONTROL RECORD (PICR) CG FORM CG-3469	EDFOS, BLOCKS A,G		
INVENTORY		STOCK RECORD CARDS	PICR (see above)	EDFOS, BLOCKS A,H		
EXPENDITURES (i.e., STORES CONSUMED, SALES OF STORES, AND SURVEYS		VARIOUS SERIALIZED ISSUE DOCUMENTS. SIGNED BY PERSONS DESIGNATED BY THE FSO OR CO.	PICR AND DRCR.	EDFOS, BLOCKS A,B, D,E,I, AND J.		
RECEIVABLES		VARIOUS SIGNED ISSUE DOCUMENTS	DRCR	EDFOS, BLOCKS D, E AND F.		

EXHIBIT 17.

IV. REVIEW OF AN ACTIVE COAST GUARD ENLISTED DINING FACILITY'S ACCOUNTING SYSTEM

A. INTRODUCTION

The previous chapter discussed the CG EDF accounting system as it is presented in the CG Comptroller Manual (COMPTMAN). This chapter discusses the application of the EDF accounting system with a review of its application at a small CG shore station located in Monterey, California. The data presented in this chapter is for this unit's July 1980 reporting period.

CG Group Monterey functions as a multi-mission unit in the central California area. The personnel complement consists of three officers and 65 enlisted men. In addition to a barracks for single personnel, administrative, maintenance and storage buildings, the unit operates an EDF. The EDF is centrally located on the compact station property adjacent to Monterey Harbor in Monterey, California.

B. STAFFING AND ORGANIZATION

Lieutenant junior grade (LTJG) Charles Dickens and Subsistence Specialist, First Class (SS1) Rodolfo Hernandez directly manage and oversee the EDF operations. These two personnel provided the data and information for this chapter [Ref. 14]. LTJG Dickens is the unit Executive Officer (second in command). SS1 Hernandez is Senior Subsistence Specialist (SS). SS1 Hernandez directly manages

all functions described in the COMPTMAN for both the Food Service Officer (FSO) and SS. Prior to being stationed at CG Group Monterey, SS1 Hernandez had performed most of the duties required of an SS in the CG. However, he reported that his knowledge and experience in the details of keeping all the EDF records and reports was limited, so LTJG Dickens taught him how to maintain EDF records and reports. Now SS1 Hernandez maintains all the records for the EDF and prepares the monthly reports.

Hernandez has four other personnel helping with food preparation and service. The unit Authorized Personnel Allowance (APA) provides for two other subsistence specialists, third class (SS3). At the present, there are two persons in training at Monterey who do not hold the SS3 rating but who are filling the SS3 billets. LTJG Dickens also assigns two others on a monthly basis from the other personnel at the unit to assist in food preparation, service and cleanup. Exhibit 18 shows the unit EDF organization and the billet relationships.

C. INCOME CALCULATIONS

1. Ration Entitlement

The Monterey EDF is classified by the District Commander as a Class C dining facility (Exhibit 4) due to the number of SS personnel assigned and the availability and types of market facilities. The classification determines the daily

CG GROUP MONTEREY
EDF ORGANIZATION

POSITION	DUTIES AND RESPONSIBILITIES
Commanding officer (CO)	<ol style="list-style-type: none">1. Overall responsibility for all activities at the unit.2. Approves the menu.3. Reviews and approves the monthly report.
Executive Officer (XO)	<ol style="list-style-type: none">1. Has direct oversight of the EDF for the Commanding Officer.2. Trains the Senior Subsistence Specialist in recordkeeping.
Senior Subsistence Specialist (SS1)	<ol style="list-style-type: none">1. Functions as the Food Service Officer.2. Prepares the menus.3. Orders and receives supplies.4. Maintains EDF records and prepares reports.5. Responsible for the security of the EDF provision inventory.6. Food preparation and service.
Subsistence Specialists, Third Class (SS3) 2 each.	<ol style="list-style-type: none">1. Assist the SS1.2. Assist in food preparation & service
Helpers assigned on monthly rotation from unit personnel	<ol style="list-style-type: none">1. Cleanup of kitchen and eating areas.2. Assist the SS3's in food preparation and service.

SOURCE: Author's perception based on interviews with XO and SS1.

EXHIBIT 18.

ration allowance used in calculating the value of a ration for personnel eating at the EDF. At the time of this review, the Basic Daily Food Allowance (BDFA) promulgated by the CG Commandant was \$3.03 and, with the ten percent increase allowed for a Class C EDF, the ration allowance for the Monterey EDF was \$3.33 per man per day.

LTJG Dickens determines the number of unit personnel entitled to rations-in-kind. As the unit XO, he grants permission to those who are to receive commuted rations (cash equivalent) in lieu of rations-in-kind. LTJG Dickens reported that he believes that at least thirty personnel on rations-in-kind are necessary to provide the justification for the EDF and sufficient rations credits to support the EDF operations. The unit records indicate that a ration count of thirty-four (34) personnel is the average number on rations-in-kind at CG Group Monterey over the last two months. The actual number varies day by day as personnel come and go on leave or temporary duty. The actual daily ration count is provided to SS1 Hernandez using the RATION MEMORANDUM (Exhibit 5) prescribed in the COMPTMAN.

Exhibit 19 shows the calculation of the value of these 34 rations (\$113.22) on day one of the reporting period. The form used is the Daily Ration Cost Record (DRCR), which is the primary internal control document. This dollar value provides only one portion of the income for the EDF; the

other portion being cash sales of meals to those receiving commuted rations (COMRATS).

2. Cash Sales

The sales of meals for cash to the enlisted personnel receiving COMRATS and, on occasion, to the officers at CG Monterey is documented by a record of the cash customers' signatures to support the dollar amount collected and reported. Exhibit 20 is an illustration of the method and form used to record the signatures. The names were taken from an actual record from the EDF; however, it is presented in typed form for ease of reference. The amount of cash received is stated on the DRCR and added to the ration value computed above. SS1 Hernandez uses this total operating revenue amount in his decision of the amount of food prepared for service and in matching the costs with the income. The unit signature records reveal that in July 1980, 73 breakfasts, 240 dinners, 60 suppers, and five brunches were purchased for cash at this EDF. These amounts are then converted to ration equivalents using the COMPTMAN-prescribed forms and method for reporting them to the District Commander on the monthly report. The ration equivalents may not exactly equal the amount of cash collected due to rounding, and for the monthly report both totals are reported. Exhibit 21 shows the computation of ration equivalents.

DEPARTMENT OF TRANSPORTATION U. S. COAST GUARD CG-2581 (Rev. 3-67)			General Mess ISSUE/SALES SLIP			TYPE OF DOCUMENTATION <input type="checkbox"/> ISSUE OF STORES <input type="checkbox"/> SALE OF STORES <input checked="" type="checkbox"/> SALE OF MEALS: <input checked="" type="checkbox"/> BREAKFAST 4 each <input checked="" type="checkbox"/> DINNER 8 each <input checked="" type="checkbox"/> SUPPER 4 each <input type="checkbox"/> OTHER (Explain)		
UNIT NAME CG GROUP MONTEREY				DATE 25 JULY 80				
ISSUED OR SOLD TO ENLISTED PERSONNEL								
REMARKS NONE				ACCOUNTING DATA N/A				

ITEM	DESCRIPTION (or Individual receipts for meals)	✓	QUANTITY	UNIT	UNIT PRICE	EXTENSION	
B	CARTER		1	ea	65		65
B	OLSON		1	ea	65		65
B	HANSEL		1	ea	65		65
B	LOGGINS		1	ea	65		65
	4 BREAKFASTS						
D	MORA		1	ea	1 30	1	30
D	MILLER		1	ea	1 30	1	30
D	WICK		1	ea	1 30	1	30
D	LOGGINS		1	ea	1 30	1	30
D	TIGGS		1	ea	1 30	1	30
D	MORROW		1	ea	1 30	1	30
D	LLERA		1	ea	1 30	1	30
D	HANSEL		1	ea	1 30	1	30
	8 DINNERS						
S	MORO		1	ea	1 30	1	30
S	CARTER		1	ea	1 30	1	30
S	TIGGS		1	ea	1 30	1	30
S	MORROW		1	ea	1 30	1	30
	4 SUPPERS						
TOTAL						18	20

ISSUED MD	VERIFIED RH	POSTED RH	No. 1598872	RECEIVED BY (For blanket receipts) /s/ R. Hernandez (Signature) SS1 (Title)
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PREVIOUS EDITION MAY BE USED.

EXHIBIT 20.

U. S. GOVERNMENT PRINTING OFFICE: 1973 - 597-907

SOURCE: Prepared by Author from CG Monterey Records.

VALUE OF RATIONS AND MEALS SOLD

	MEALS SERVED	CONVERSION FACTOR	RATION EQUIVALENT
BREAKFAST	73	x .20	14.60
DINNER	240	x .40	96.00
SUPPER	60	x .40	24.00
BRUNCH	5	x .45	2.25
SUPPER/BRUNCH		x .55	
HOLIDAY MEAL		x .60	
TOTAL RATION EQUIVALENTS			136.85

TOTAL RATIONS CLAIMED (137) x RATION VALUE (\$ 3.33) = VALUE FOR PERIOD (\$ 456.21)

EXHIBIT 21.

SOURCE: Prepared by Author from CG Monterey Records.

D. INVENTORY FLOW AND RECORDS

The previous discussion of the organization of CG Group Monterey initiated the review of the application of the COMPTMAN accounting system. This section continues the review and discusses the flow of the EDF provisions into and out of the inventory and how the inventory accounting records reflect these transactions.

1. Purchasing

According to SS1 Hernandez, the EDF provisions are ordered from several local suppliers. If possible, competitive bids are solicited and these bid documents support the purchase orders issued. The merchandise is usually delivered direct to the EDF and received by SS1 Hernandez. The purchase decisions are based on the EDF menu. SS1 Hernandez initiates the menu in advance, and the Commanding Officer approves it. SS1 Hernandez determines the quantities needed from his first-hand knowledge of the customers' likes and dislikes, and the expected ration entitlement and cash sales income. Some of the recurring orders are supplied under term contracts and the EDF has standard orders charged against these contracts. An example is the recurring order for milk of nine containers per week, which provides sufficient quantities for the Monterey EDF operation.

2. Receipts

As the provisions are received, SS1 Hernandez records the quantities on the Stock Ledger Cards at the EDF. An

illustration of the stock cards is provided in Exhibit 22. The individual prices are also posted to the cards to reflect the most recent price for the item. The balance on-hand is calculated, and the item is placed into either refrigerated or dry stores compartments maintained at the EDF. The total invoice price is added to the Provision Inventory Control Record (PICR) balance which reflects the total value of the entire EDF provision inventory. (See Exhibit 23.)

3. Expenditures

The menu which was used to order provisions is also used to determine the amounts taken out of inventory for a particular meal. The other SS's, with SS1 Hernandez's guidance, determine the quantity and types of food items prepared for any given meal. These items, once identified, are listed on the Issue/Sales Slip (not shown here). Both the name and quantity are listed. Then, using the pricing information from the Stock Ledger Cards, the total dollar value of stores removed from inventory and issued to the EDF is determined. This dollar value is entered in the expenditure columns of the PICR and is deducted from the dollar balance of the inventory.

As described above, the Monterey EDF maintains both the quantity and monetary controls of the EDF provisions. The individual quantities are identified on the Inventory Provision Stock Cards. The cards provide usage data and

pricing information to assist in menu planning, purchasing decisions, and, if necessary, in identifying inventory gains or losses by line item. The PICR reflects the "book value" of the inventory as adjusted by receipts and expenditures. This value is utilized later in the preparation of external reports. The verification of the monetary and quantity controls is discussed next.

4. Inventory Verification

As required in the CG Regulations and reiterated in the COMPTMAN, the Commanding Officer is required to conduct an inventory verification at least once per fiscal year [Ref. 6; para. 3F08003]. The Monterey unit conducts a verification inventory every six months. LTJG Dickens and SS1 Hernandez reported the results of the most recent inventory taken. Both Mr. Dickens and another LTJG from a nearby CG vessel conducted the verification inventory. The results were that a \$36.00 overage was identified. Based upon the stock card inventory balances, the overage was determined to be in various meat items. Both Dickens and Hernandez considered the inventory overage insignificant in light of normal monthly consumption of food provisions of values between \$3700.00 and \$4000.00 per month.

SS1 Hernandez reported that he personally conducts additional spot-check type inventories on a routine basis. The spot-check inventories are those where only a few selected

items are physically counted and the quantities matched with the stock card balances. These routine inventories, though not required specifically in the COMPTMAN, are part of Hernancez's own management practices.

The above sections presented a review of CG Group Monterey's use of the EDF internal controls and records. The next section discusses the EDF operating statement which is prepared by SS1 Hernandez from the internal records.

E. EDF EXTERNAL REPORT - EDF OPERATING STATEMENT

1. Block A, Operating Statement

The EDF operating statement (Exhibit 24) for CG Group Monterey is prepared monthly by SS1 Hernandez. The beginning inventory records (line 1) and the Accumulated Unused Allowance (line 25) are taken from the previous month's report balances. \$3997.37 in purchases that were received during the period are added (line 3), and the Ending Inventory total (\$4174.51) are taken from the EDF purchase files and the Provision Inventory Control Record (PICR) ending balances. The Net Value of Stores Consumed is then calculated (\$3992.68) and from this is subtracted the dollars collected for the cash sales (\$467.05). The balance (\$3523.63) is the amount of stores consumed that is chargeable to appropriated funds for feeding the persons on rations-in-kind.

DEPARTMENT OF TRANSPORTATION U. S. COAST GUARD CG-2576 (Rev. 1-70)		ENLISTED DINING FACILITY OPERATING STATEMENT	
UNIT NAME CG GROUP MONTEREY		CLASS OF MESS C	
A. OPERATING STATEMENT			
1. Beginning Inventory (Line 8, Last report)		4210.91	
2. Receipts from other CG Units (Block H)			
3. Purchases (Block G)		3997.37	
4. Total (Lines 1 through 3)		8208.28	
5. Approved Surveys (Block J)			
6. Sale of Stores (Block E)			
7. Transfers to other CG Units (Block I)		41.09	
8. Ending Inventory		4174.51	
9. Total (Lines 5 through 8)		4215.60	
10. Net Value of Stores Consumed (Line 4 - 9)		3992.68	
11. Sale of Rations and Meals (Block F)		467.05	
12. Charges to Appropriated Funds (Line 10 - 11)		3525.63	
13. Average Cost of Ration (Line 10 ÷ Line 21)		3.4420	
14. Ratio of Issues to Inventory (Line 6 + 7 + 10 ÷ Line 8)		0.9663	
B. SURPLUS ACCOUNT			
NO. RATIONS		RATION VALUE	TOTAL
15. Claimed	925	x 3.33	3080.25
16. Claimed		x	
17. Claimed	98	x 3.33	326.24
18. Sold		x	
19. Sold		x	
20. Sold	137	x 3.33 = 456.21 **	467.05
21.	1160 = Total No. of Rations		
22. Total Ration Allowance (Lines 15 through 20)		3873.64	
23. Net Value of Stores Consumed (Line 10)		3992.68	
24. Unused Allowance (loss) this Period (Line 22 - 23)		(119.04)	
25. Unused Allowance (deficit) From Last Report		82.29	
26. Accumulated Unused Allowance (deficit) End of Period		(36.75)	
27. Maximum Accumulation Allowed: 10 % of Line 22		387.36	
C. REMARKS (Cont. on reverse)			
** \$467.05 is the actual amount of cash collected and is greater than \$456.21 the ration equivalent.			

PREVIOUS EDITIONS ARE OBSOLETE

EXHIBIT 24.

SOURCE: Prepared by Author from CG Monterey Records.

2. Block B, Surplus Account

The number of rations reported by LTJG Dickens on the Monthly Ration Memorandum are entered on lines 15 and 16. The value of the ration equivalents (\$456.21) is less than the actual cash collected (\$467.05) due to the difference in the computation methods and the cash sale price is also prescribed by COMDT. The greater amount is reported which gives the EDF the maximum income against which to calculate a savings or loss for the period [Ref. 15].

Using the calculations discussed above, the financial standing of Monterey's EDF may be determined. The total of the Ration values (line 22) minus the Net Value of Stores Consumed (line 23) determined previously shows that the EDF had a net loss for the month of July 1980 of \$119.04. However, the Accumulated Unused Allowance from the previous month's end reduces the cumulative loss to \$36.75 (line 26). This amount is well within the 10% loss allowed by the COMPTMAN, even though this amount will be carried forward and next month's planning by Hernandez will attempt to reduce or eliminate this deficit.

The remaining sections (Blocks C-J) of the EDFOS are not discussed. The information contained in them is discussed in Chapter III and they are supporting information for sections A and B. A copy of the July report from which the above data were taken was recently returned to CG Group

Monterey from the District Commander's staff with a note that the report was outstanding and the review by District Accounting found no errors in the EDFOS or the supporting documents.

F. COMMENTS

The CG Group Monterey EDF accounting and reporting system followed the prescribed format of the COMPTMAN. The personnel (LTJG Dickens and SS1 Hernandez) were both familiar with the system and the control records' usage for daily accounting and accountability. They both appeared to have personal pride in a successful EDF operation and realized that the COMPTMAN's prescribed system was workable.

LTJG Dickens noted that in the recent past a 16¢ reduction in the ration entitlement had limited the EDF menu, and greater care was necessary. He surmised that the reduction was because of expected lower prices for vegetables this summer; however, he had not seen much change in the prices from suppliers.

SS1 Hernandez, in the opinion of the author, best summarized his comments of the COMPTMAN's accounting system: "This is the only way to know where you stand -- by keeping good records!"

Chapter III and this chapter explain the CG EDF accounting and reporting system in theory and practice. The Monterey CG unit applies the COMPTMAN's EDF accounting system in

both letter and spirit. This provides a positive indication of the applicability and usefulness of the system. In the next chapter, a comparison between the GAO model presented in Chapter II and the CG EDF accounting system is made. Conclusions and recommendations are included after the comparison.

V. COMPARISONS, CONCLUSIONS, AND RECOMMENDATIONS

A. INTRODUCTION

Chapters II and III discuss the General Accounting Office (GAO) objectives and the Coast Guard (CG) Enlisted Dining Facility (EDF) reporting System. Chapter IV presented a look at the CG EDF system as applied at one CG unit. In this chapter, a comparison of the CG EDF reporting system with the GAO objectives is presented. Also, the qualitative factors for Federal reporting are discussed in relation to the CG system. The final sections of the chapter present the author's conclusions and recommendations based on the comparison.

B. COMPARISON OF THE CG SYSTEM WITH GAO'S OBJECTIVES

The GAO objectives represent a general overview of the types of reporting systems which have evolved from the early stages of Federal accounting. GAO recognizes that the government's traditional lists of expenditures do not satisfy people as they once did [Ref. 7; p. 5]. GAO's objectives focus attention on management's role in carrying out publicly funded programs.

GAO's five objectives which Federal accounting and reporting should achieve are:

1. the assessment of management performance and stewardship,

2. the reporting on the financial viability of the Federal entity,
3. identifying the amount of program activity,
4. assessing the compliance with fiscal goals and constraints, and
5. assisting in resource allocation decisions.

GAO stated that the measurement of management's performance and stewardship is the primary objective. GAO concluded that to achieve this objective, the three objectives of providing users a means to assess financial viability, program activity, and fiscal compliance must be met [Ref. 7; pp. 22-23]. GAO further states that the usefulness of the information in resource allocation decision-making requires that the information provide indications of the same three objectives (financial viability, program activity, and fiscal compliance) [Ref. 7; p. 32-33].

1. Financial Viability

GAO states that the information which provides a measure of financial viability should discuss the economic resources under the entity's control. The discussion should include information on the economic obligations in terms of the resources and the resource flows [Ref. 7; p. 4].

The main resource controlled at the EDF is the inventory. The EDF system requires that the inventory levels not exceed a sixty-day supply. The budgeted level of inventory is maintained by monitoring both the monetary-value and

quantity of the inventory. Two of the specific measures used are the dollar amount of inventory on-hand and the inventory turnover ratio. Both of the measures are reported externally. The EDF reporting system does not report the resource obligations. An indirect measure of obligations could possibly be deduced by an experienced observer by noting the trends of purchases made by the EDF personnel. The trend would indicate the flow of resource obligations and would not directly indicate the type of provisions actually due-in at the end of the EDF reporting period.

The author concludes that the only indications of EDF financial viability for future operation are the inventory ratio and dollar value. The limitations of using these as the only measures are: (1) the book value of inventory is only an estimate without the annual verification inventory; and (2) the reported inventory balance does not indicate the types of provisions on-hand nor the physical conditions (fitness for human consumption) of the materials. The EDF inventory stock records do show the viability by line item for internal control. For example, is there too much ice cream and not enough potatoes?

2. Fiscal Compliance

GAO states that financial reports should include indications of compliance with laws and regulations [Ref. 8; p. 30]. The Comptroller Manual (COMPTMAN) contains the main regulations and limitations for the EDF personnel to follow.

The primary limitations are the limit on the maximum accumulated unused allowance, the maximum loss allowed without explanation, and the inventory ceiling of sixty days supply.

Fiscal compliance is monitored daily by the EDF manager and reported monthly. The EDF managers maintain controls so that the accumulated surpluses (deficits) of dollars do not exceed the maximum (minimum) allowed by the COMPTMAN. The primary control document used by the EDF managers is the Daily Ration Cost Record which shows day-by-day whether the EDF has a surplus or deficit. Then by regulating these surpluses and deficits, the FSO and SS can ensure that the monthly end result falls within or complies with the COMPTMAN limitations. The EDF reporting system requires no embellishment to monitor and report on the fiscal compliance performance.

3. Program Activity

According to GAO, program activity is indicated by the use of input resources and the output resulting from the program's operation [Ref. 8; p. 28]. As discussed earlier, the main input resource is the EDF ration allowance which is used to allocate the EDF provision inventory. The EDF reports do indicate activity in terms of these inputs. The inputs are reported in terms of rations sold, rations claimed, the amount of stores consumed per total rations reported, and the amount of purchases made to replenish the EDF

inventory. The EDF reports show activity in monetary terms.

The EDF output measure is more difficult to identify using the reported information. The GAO statement of objectives relates the output measurement to goal accomplishment. Thus, in identifying an EDF output measure, the need for measuring an output which relates to the program goal is apparent. The EDF goal is the feeding of well-balanced meals to CG enlisted personnel. Therefore, an output measure of an EDF should indicate how many meals of what nutritional content were fed. This information is not included in the EDF reporting system.

One indirect measure of program activity can be deduced from the EDF information. The EDF reporting system identifies the value of stores consumed in serving the meals. This value represents the amount of inventory which was used to feed the persons who ate the meals. The actual number of meals served is not reported as the entitlement of claiming rations does not require the count of those who actually ate. In the case of cash sale customers, the amount of cash collected and reported represents the number of cash customers that actually ate. This only indirectly identifies one part of the program activity.

The menu provides a measure of the nutritional balance and content of the meals served and may be reviewed by the Subsistence Advisory Team. The measure of EDF program

activity as an indication of goal achievement is limited.

4. Resource Allocation

GAO states that resource allocation decisions require information that is useful in assigning budget authority and deciding on the use of resources among alternatives for accomplishing program objectives [Ref. 8; p. 3]. In the EDF system, the District Commander decides the classification of each EDF. The classification determines the amount of ration allowance with which the EDF operates. In this manner the EDF is allocated a portion of the CG Supply Fund. The District Commander also establishes the unit's operating schedule which impacts on the ration allowance increases taken by the EDF.

The unit Commanding Officer (CO) modifies the ration allowance by permitting certain unit personnel to receive commuted rations (COMRATS). Based on the proportion of unit personnel receiving COMRATS, the FSO determines the menu and the size of the meal portions served. At the local unit level, the allocation is based on matching the food resources consumed to the ration allowance, also a fiscal compliance function. The EDF reporting system measures the FSO's ability to make this match of resources to allowance. In this manner the fiscal compliance aspects of the EDF reporting system become a measure of the results of the series of allocation

decisions made at the three levels in the EDF chain-of-command (Exhibit 3).

5. Management Performance and Stewardship

The four objectives discussed above provide a good basis for measuring management performance and stewardship. The GAO report indicates that performance and stewardship information should disclose information as to whether the applicable laws and regulations were followed, the nature and extent of program activities, the ability to continue operating in future periods, and the achievement of program goals by resource allocation [Ref. 8; pp. 2-3]. The CG EDF system does provide some information in these areas. Fiscal compliance is presently the foremost consideration in measuring the EDF manager's performance. If the monthly reported accumulated savings (deficit) does not lie outside the COMPTMAN limits, the EDF manager has presumably performed well.

An EDF manager complying with the fiscal constraints does not preclude inadequate performance or mismanagement in other areas. Chapter IV demonstrates that at small CG units the EDF management is vested in one or sometimes two persons at most. The author concludes that a successful EDF operation at a small CG unit such as the one mentioned depends to a great extent on the personal skills and management abilities and integrity of the EDF personnel. In this

regard the EDF system's success depends on the CG personnel assignment program to ensure that these talents are identified and assigned to responsible positions of control at the EDF's. The ability to operate an EDF within the fiscal constraints should be accompanied with the skill of maintaining good viability and meeting the program goals of serving nutritious meals.

Informal information, outside the EDF reporting system, provides additional insight into the EDF management's performance and stewardship. The SAT review of the EDF during an on-site visit provides a means to enhance the EDF management's skills in record-keeping and food service while providing feedback to the district and headquarters concerning the EDF system deficiencies. Also, the CO, FSO, and SS of a small CG unit have immediate feedback from the EDF customers since they work closely together. Their feedback provides insight into the quality and nutritional balance of the meals served.

The limitations of the EDF reporting system with respect to the GAO statement of objectives of Federal accounting systems limits the full measure of EDF management's performance and stewardship. The informal exchange of non-financial information between the SAT, the local EDF customers and the EDF management helps assure good performance and stewardship not measured or reported within the framework of the EDF reporting system.

C. DISCUSSION OF THE QUALITATIVE FACTORS FOR FEDERAL REPORTING

This section discusses the degree to which the EDF reporting system meets the qualitative factors identified by GAO.

1. Relevance

The author concludes that the information provided by the EDF reporting system is, for the most part relevant because of its application in determining the EDF financial standing. COMPTMAN insists on a daily ration allowance determination and daily consumption data, resulting in a daily surplus or loss calculation. The end of the month report flows directly from these internal records. Inventory records that are kept current as the transactions occur contain additional relevant data. This timeliness facilitates and contributes to the decision process of the EDF managers. This factor of having relevant information promptly recorded directly affects the remaining qualitative factors.

2. Reliability

Based on the previous analysis, the author concludes that the EDF information system contains built-in verification of the reliability of the information. For example, the purchase and sale of meals are documented and corroborated by persons external to the EDF. The customers sign as they pay for the meals, and the purchase delivery documents identify the supplier. These provide the necessary audit

trails for verification. The inventory records reflect these receipts, and the menu provides a cross reference to support the issues from the inventory.

3. Meaningfulness

Based upon the previous analysis, the author concludes that the information contained in the EDF records and reports is meaningful. The clarity and repetitious nature of the records requirements reduce the amount of time to learn to record the transactions. Because of this, the reports are prepared directly from the supporting documents, and review and audit is facilitated. The reports provide meaningful information with the limitations discussed above.

4. Comparability

The author concludes that the information structure and the prescribed report formats enable comparison of EDF information between reporting periods. However, there are limitations which make comparisons between EDF's of different units difficult. Given that EDF's are classed differently indicates major differences that may materially affect any horizontal comparisons, such as the number of subsistence specialists, unit size, ration allowance per day, and proximity to various sources of supply. Since the menus are prepared by each unit based on local suppliers' costs and customer preferences, the ability to make cost comparisons is limited. This non-comparability reduces the usefulness

of the information in making decisions about one EDF in terms of another.

5. Neutrality

Based upon the analysis, the author concludes that the neutrality of EDF information is related to the reliability. To the extent that the information is corroborated by audit reports or outside sources, the neutrality is enhanced. However, to the extent that the reports contain errors or mistakes, whether intentionally or unintentionally made, the neutrality is reduced. In the absence of evidence to the contrary, such as an auditor's report of errors or fraud, the information is assumed to be truthful. The system would require corroboration by two or more individuals, outright fraud, or theft to significantly change the neutrality of the information. Misstatement of information caused by human error such as in inventory valuation or ration allowance calculations could be easily overlooked in a routine review of the records. Only a detailed audit of the entire EDF could uncover these mistakes of omission or commission. Since a majority of the CG units with EDF's have few staff personnel, the EDF manager's actions are relatively visible to others, and consequently the likelihood that gross mismanagement over long periods of time will go unobserved is small.

6. Materiality

Based upon the analysis, the author concludes that the information contained in the records and reports of the EDF system are material to decision-making and program measurement. However, there are items which are material to the objective of measuring management performance which are not reported. Ones previously discussed are the number of persons receiving COMRATS who subsist at the EDF, the quantity and quality of meals served, and the satisfaction of the customers. These consist of quantified and non-quantified information that may change the financial standing (surplus or deficit) of the EDF, and are considered important for measuring management performance and stewardship or making resource allocation decisions.

D. USERS OF EDF INFORMATION

This section discusses the users of EDF system reports and records.

1. Internal Users

The primary users of EDF information are all internal to the CG. The above presentations and Chapter III discuss the CG personnel involved in the EDF operation. The unit CO, FSO, and SS maintain the daily records and report documents as required by the COMPTMAN. The report cycle is normally one calendar month. The FSO and SS submit the monthly report to the CO for approval. Once approved, the report and all

supporting documents go to the District Commander's accounting branch. The accounting branch verifies the data and compiles a summary report for COMDT (G-F) which enables reimbursement from the CG supply fund for the costs of food consumed by persons entitled to rations in-kind.

The District Subsistence Advisory Team (SAT) reviews the monthly reports to watch for trends such as inventory growth, deficits, or excess accumulated surplus. Using their prior experience, they make visits to the EDF and conduct a series of training sessions for EDF personnel. They also review and comment to the CO concerning the accuracy of the unit's supporting records. This enables correction of deficiencies and acts as a monitor for the CO who may or may not have an understanding of food service operations. The SAT team also assists in areas which only indirectly affect the financial reports such as sanitation techniques and culinary skills. The SAT review of the EDF enables the exchange of qualitative and quantitative non-financial information between EDF personnel and COMDT (G-F) who promulgates the financial reporting requirements in the COMPTMAN.

The District Commander also sends inspection teams to each unit periodically to conduct an audit of the EDF. Based on the author's own CG experiences, as well as discussions with the SAT, EDF personnel, and the COMDT (G-F) staff, these inspections are compliance type inspections. The results are

usually included in EDF reports covering the month in which the inspection occurs. The verification of inventories, compliance with records keeping requirements, and identifying fraud and waste are the main contributions of the inspection function.

2. External Users

Routine use of EDF information by persons external to the CG is not anticipated. Some potential external users on an infrequent basis would be: (a) members of the Department of Transportation's Inspector General's office, (b) Congressional Staffs, and (c) consultants on contract with the CG. These persons would most likely not be interested in all the local EDF records and reports but would be using gross totals on all the CG EDF operations. COMDT (G-F) could provide such summary data for the entire CG or for any special reports which specifically are excluded by the GAO objectives statement and which are not discussed in the CG COMPTMAN.

E. CONCLUSIONS

1. The CG EDF Accounting and Reporting System Addresses the GAO Objective of Fiscal Compliance Reporting in a Reasonable Manner.

The traditional area of fiscal compliance reporting is evident in the CG EDF reporting system. As discussed in Chapter III, the EDF managers target their food costs to the allowed ration entitlement and are not permitted to accumulate savings or losses in excess of specified amounts

for more than one or two reporting periods. Also, the COMPTMAN prescribed inventory ceiling further supports the fiscal constraints on any supply fund inventory buildup.

2. The CG EDF Accounting and Reporting System Addresses the GAO Objective Concerning the Reporting of the Financial Viability of the EDF in Part.

According to GAO's statement in Chapter II, the key indicators of financial viability are the amount of resources available to management, the obligations in terms of the resources, the changes in resources and obligations, the resource flows, and liquidity. The EDF system does report on the inventory resources at the EDF. The inventory balances, when verified, do represent the main resource being managed by the EDF managers. One liquidity measure, the inventory turnover, is presented in the monthly report. Although this measure relates to the aspect of fiscal compliance, it also provides a measure of the ability of the EDF to continue operations in future periods. The obligations of EDF funds are not stated directly on the EDF reports. In situations of low inventory level (much less than a sixty-day supply), a statement of outstanding obligations and their due-in dates would assist in determining the EDF's viability for future periods.

3. The CG EDF Accounting and Reporting System Provides Partial Information on the EDF's Program Activity.

GAO's statement on program activity includes a discussion of the organization's inputs, outputs, and planned

inputs and outputs. The CG EDF system does report the amount of food inputs used in terms of the value of the stores consumed by its customers. The cost of a ration discussed in Chapter III states the amount of food stores consumed in terms of the number of rations claimed and sold. There is no accurate measure of the EDF's output given. The menu which is an internal document does present a qualitative measure of the output of the EDF in terms of the variety and nutritional balance of the meals planned. However, the actual number of meals served is not reported as the number of rations claimed may not equal the number of meals served and, therefore, does not provide a measure of output.

4. The CG EDF Accounting and Reporting System Mainly Reports the Results of Resource Allocation Decisions Made Concerning the EDF.

The information reported on the inventory balances and the cost of a ration assists those persons involved in budget preparation and authorization to prepare future budget requests. The annual review by the District Commanders of the EDF's classification further promotes the allocation of manpower and ration allowance resources to the various EDF's under their control. The internal control documents discussed in Chapter III provide the EDF managers with information from which they may decide on the usage rate of the items in inventory. In doing so, they control costs and prevent excess accumulation or deficits.

5. The CG EDF Accounting and Reporting System Permits a Limited Measurement of the EDF Management's Performance and Stewardship.

As discussed in Chapter II, the objective of measuring management's performance and stewardship depends to a great extent on measuring the program activity, fiscal compliance, financial viability, and resource allocation results. The above discussion of these four objectives indicates that the measurement of fiscal compliance and financial viability is more detailed than the measurement of program activity and resource allocation. The EDF system information can be used to measure the fiscal compliance and the maintenance of financial viability of the EDF by the manager. Since the information concerning the resource allocation and program activity is limited, the measurement of the manager's performance and stewardship is limited in scope. Since GAO identified the measurement of management's performance and stewardship as the primary objective of Federal accounting and reporting systems, and given this measure includes areas other than the traditional one of fiscal compliance, consideration should be given to changing the EDF reporting system to include the other GAO objectives.

F. RECOMMENDATIONS

This thesis research was conducted in response to CG Headquarters' request for a study of the CG subsistence program of which the EDF accounting and reporting system is

a part. The preliminary literature search revealed that the information on CG subsistence efforts is confined to the CG Comptroller directives. In order to obtain an objective evaluation of the prescribed accounting and reporting system, the author utilized the General Accounting Office statement of objectives for Federal accounting and reporting systems as a model. The recommendations which follow are based on the comparison between the EDF system and the GAO model. The author encourages further research in the CG subsistence area since the EDF operations directly affect the successful operation of the CG Supply Fund as well as the enlisted compensation program. The recommendations are directed to the three levels of the CG EDF reporting chain of command: headquarters, districts, and units.

1. The recommendations for the headquarters personnel are:

a. That revisions to the COMPTMAN include consideration of all the GAO objectives for Federal reporting.

b. That further research be conducted in these areas: (1) Determining the impact of personnel assignments on the EDF operations. The assignment of an individual to an EDF manager's billet should include the consideration of the individual's experience and training to reduce disruptions at the unit during the transition of managers. (2) Identifying additional methods for measuring EDF managers' performance

besides that of the existing reports to ensure uniformity and equity. A uniform CG-wide evaluation system which would speak to all five of GAO's objectives would enable comparisons between classes of EDF's, between districts, and foster equity in the personnel advancement process for those of the subsistence specialist rating. (3) Evaluating the impact of the Commuted Rations (COMRATS) policies on the EDF system and on the enlisted personnel compensation program. The decisions made by each CO in granting COMRATS to certain enlisted persons at the unit affects the financial status as well as the justification for the existence of the EDF. These local decisions may affect the enlisted person's perceptions of the CG compensation program.

2. Recommendations for the District Commander's staff are:

a. That the Subsistence Advisory Team (SAT) provide input into the headquarters' research operations. The SAT could provide district-wide information concerning the experience and training requirements for individual units or all the EDF's within the district. Identification of management deficiencies and implementation of management enrichment programs would provide temporary relief to particular units while data collection on frequently occurring management deficiencies would form the data base for headquarters personnel assignment and subsistence specialist training programs.

b. That research be conducted by the SAT and the accounting personnel to determine additional measures of financial viability, program activity, and resource allocation of EDF operations to enhance the reporting system. The research should emphasize the staff limitations and minimize the local unit's administrative burden while enhancing the program measurement.

c. That unit inspections include the program results measures developed from the research conducted.

d. That during the annual review of each EDF's classification, consideration be given to information beyond the required EDF reports. Examples of such things to consider are the number of subsistence personnel assigned and the ration allowance increases.

3. The recommendations for the local unit personnel are:

a. That information be provided to unit Commanding Officers (CO) regarding the importance of the objectives of financial viability, program activity, and resource allocation to measuring the EDF management performance. Since the CO has full responsibility for all the unit activities including the EDF, it is recommended that these other areas be given priority during internal review of the EDF. Some suggested measures which may be useful are: (1) determining whether the EDF inventory contains sufficient quantities and variety by food group to sustain the EDF operations during

expected emergency conditions, or (2) determining the portion controls necessary to ensure adequate nutritional balance and avoid waste, and (3) determining the manager's training needs in recording the EDF transactions or food preparation techniques. The information should contribute to establishing a comprehensive EDF management evaluation system.

b. That information be provided to EDF managers that emphasizes that the EDF reports and records, by which their work is evaluated, are limited in scope. That creativity and outstanding performance is often overlooked using only the normal reports and may require additional methods of reporting to ensure proper recognition. Graphs of such things as customer usage data, cost versus allowance, photographs of especially decorative meals prepared for holidays, and written reports of customer comments provide insight that is not obtained from the EDF reports system.

G. CLOSING REMARKS

The author does not recommend that changes to the EDF reporting system be made entirely on the basis of this thesis without extensive study into the areas discussed in the above recommendations. The author believes that continued research in the subsistence area will result in program enhancement in regard to meeting the GAO standards for accounting systems.

The subsistence of CG enlisted personnel is vital to the accomplishment of the CG's missions. The enlisted dining facilities that are established at local CG units have evolved into contemporary food service systems which efficiently and effectively contribute to the morale and well being of the personnel who must carry out the missions. Also, the EDF's are an immediately available resource for the support of emergency situations to which the CG is often called to respond. The EDF manager's performance and stewardship of the resource greatly impacts on the mission accomplishment. The analysis and recommendations presented above provide insight into the methods by which an EDF manager's performance can be monitored to ensure that the CG lives up to its motto -- Semper Paratus -- ALWAYS READY.

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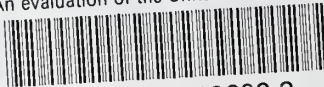
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